

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
APRIL 23, 2014
APPLICATION SUMMARY**

NAME OF PROJECT: SBH-Kingsport, LLC

PROJECT NUMBER: CN1312-050

ADDRESS: Unaddressed property at the end of Executive Park
Blvd.
Kingsport (Sullivan County), TN 37660

LEGAL OWNER: SBH-Kingsport, LLC
8295 Tournament Drive, Suite 201
Memphis (Shelby County), TN 38125

OPERATING ENTITY: N/A

CONTACT PERSON: Mike Garone
(901-969-3100)

DATE FILED: December 13, 2013

PROJECT COST: \$11,717,915.00

FINANCING: Cash Reserves, Revolving Credit, Net Cash Flows

REASON FOR FILING: Establishment of a new 72 bed free-standing mental health hospital and initiation of inpatient psychiatric services

DESCRIPTION:

SBH-Kingsport, LLC is seeking approval for the establishment of a new 72 bed free standing mental health hospital and initiation of inpatient psychiatric and substance abuse services. The proposed mental health hospital will consist of 28 inpatient beds for psychiatric care for children ages 5-17, 18 inpatient beds for adult psychiatric care for adults ages 18-64, 16 inpatient beds for geropsychiatric care for ages 55+, and 10 adult chemical dependency beds. The proposed project will accept voluntary and/or involuntary admissions. If approved, the applicant plans to initiate services in November 2015.

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SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW:

Psychiatric Inpatient Services

A. Need

1. The population-based estimate of the total need for psychiatric inpatient services is 30 beds per 100,000 general population (using population estimates prepared by the Department of Health and applying the data in Joint Annual Reports).

Using the population estimates prepared by the Department of Health, the Guidelines for Growth Bed Need Formula calculate the following total bed need for inpatient psychiatric services:

TN counties (Hawkins, Sullivan)

2014 Population:

Total 216,484 X 30 beds/100,000 = 64.9 Beds

2018 Population:

Total 219,300 X 30 beds/100,000 = 65.8 Beds

2. For adult programs, the age group of 18 years and older should be used in calculating the estimated total number of beds needed.

2014 Population:

Age 18+ 175,764 X 30 beds/100,000 = 52.7 Beds

Age 65+ 44,484 X 30 beds/100,000 = 13.3 Beds

2018 Population:

Age 18+ 184,934 X 30 beds/100,000 = 55.5 Beds

Age 65+ 50,355 X 30 beds/100,000 = 15.1 Beds

3. For child inpatient under age 13, and if adolescent program the age group of 13-17 should be used.

2018 Population:

Age 0-17 34,366 X 30 beds/100,000 = 10.3Beds

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4. These estimates for total need should be adjusted by the existent staffed beds operating in the area as counted by the Department of Health in the Joint Annual Report.

Service Area	Population (2018)	Need Pop. x(30 beds/100,000)	Current Beds	Net Need
Hawkins and Sullivan County (TN)	219,300	65.8	12	53.8
Wise Scott, Lee (Va.)	89,174	27	0	27
Total Proposed Service Area	308,474	92.8	12	80.8
Contiguous Washington, Greene	209,964	63	100	Surplus 37
Total	518,438	155.80	112	43.80

It would appear the application meets this criterion, when considering only the applicant's declared service area. When including contiguous Washington and Greene Counties, there is a net need of 43.8 beds.

B. Service Area

1. The geographic service area should be reasonable and based on an optimal balance between population density and service proximity or the Community Service Agency.

The geographic area includes Hawkins and Sullivan counties located in Tennessee. The proposed project will be located in Kingsport (Sullivan County). The applicant has also included the contiguous counties of Wise, Scott and Lee in Virginia.

It would appear the application meets this criterion.

2. The relationship of the socio-demographics of the service area, and the projected population to receive services, should be considered. The proposal's sensitivity to and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low income groups, and those needing services involuntarily.

The applicant states there is a need for chemical dependency services for low-income age groups and individuals. In addition, involuntary psychiatric inpatient admissions will be accepted.

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It would appear the application meets this criterion.

C. Relationship to Existing Applicable Plans

1. The proposal's relationship to policy as formulated in state, city, county, and/or regional plans and other documents should be a significant consideration.

There are no identified state, city, county or regional planning documents provided by the Tennessee Department of Mental Health and Substance Abuse Services.

This criterion does not apply to this application.

2. The proposal's relationship to underserved geographic areas and underserved population groups as identified in state, city, county and/or regional plans and other documents should be a significant consideration.

There are no identified state, city, county or regional plans that require consideration.

This criterion does not apply to this application.

3. The impact of the proposal on similar services supported by state appropriations should be assessed and considered.

According to a memo dated May 17, 2012 from the Tennessee Department of Mental Health and Substance Abuse Services, Lakeshore Mental Health Institute (LMHI) closed on June 30, 2012. Lakeshore Mental Health Institute is the Regional Mental Health Institute previously designated to serve a 24 county catchment area in East Tennessee that included the counties of Hawkins and Sullivan. The Tennessee Department of Mental Health and Substance Abuse Services expanded its contracts with 3 private psychiatric hospitals to provide services to uninsured persons, which would accommodate most of the uninsured patient who would have been served by LMHI. The 3 inpatient psychiatric facilities are Woodridge Hospital located in Johnson City (Washington County), Ridgeview Psychiatric Hospital and Center in Oak Ridge (Anderson County), and Peninsula Hospital in Louisville (Blount County). Moccasin Bend Mental Health

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Institute, located in Chattanooga, TN is currently the designated Regional Mental Health Institute to serve the 24 counties previously served by LMHI.

The proposed 72 bed psychiatric inpatient facility will be classified as an IMD (Institute for Mental Disease). For TennCare admissions (ages 21-64), TennCare will not receive matching federal funds. The cost of patient care for TennCare enrollees for age 21-64 will be reimbursed using 100% state funds.

It is not possible to determine what, if any, impact this proposal may have on similar services supported by state appropriations from the limited data that is currently available.

4. The proposal's relationship to whether or not the facility takes voluntary and/or involuntary admissions, and whether the facility serves acute and/or long-term patients, should be assessed and considered.

The applicant will accept involuntary admissions.

It would appear the application meets this criterion.

5. The degree of projected financial participation in the Medicare and TennCare programs should be considered.

The applicant plans to contract with all area TennCare managed care organizations and participate in Medicare.

It would appear the application meets this criterion.

D. Relationship to Existing Similar Services in the Area

1. The area's trends in occupancy and utilization of similar services should be considered.

Bristol Regional Medical Center (BRMC), a 12 bed inpatient psychiatric facility (ages 18+), is the only inpatient psychiatric inpatient provider in the proposed 2 county Tennessee service area of Hawkins and Sullivan Counties. The psychiatric inpatient occupancy rate for BRMC was 72.8% in 2010, 55.8% in 2011 and 62.7% in 2012.

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Woodridge Psychiatric Hospital (84 beds-accepts all ages) in contiguous Washington County experienced a 65% occupancy rate in 2011, 70% in 2012, and 72.3% in 2013.

Takoma Regional Hospital (16 beds gero-psych) in contiguous Green County experienced an occupancy rate of 30.6% in 2011, 38% in 2012, and 35% in 2013.

It would appear the application meets this criterion.

2. Accessibility to specific special need groups should be an important factor.

Charity care will account for approximately 4.8% of total gross revenue in Year One and Year Two equaling to \$686,430 (421.9 days) and \$1,349,190 (823.3 days), respectively.

It would appear the application meets this criterion.

E. Feasibility

The ability of the applicant to meet Tennessee Department of Mental Health and Substance Abuse Services (DMHSAS) licensure requirements (related to personnel and staffing for psychiatric inpatient facilities) should be considered.

The applicant is aware and understands the licensing and certification as required by the State of Tennessee for medical and clinical staff.

It appears the application meets this criterion.

STAFF SUMMARY

Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italic.

SBH-Kingsport, LLC will be designated an IMD (Institution for Mental Disease).^{*} Federal matching payments for Medicaid are not available to states for reimbursement to IMDs for patients ages 21-64. In the supplemental response, the applicant indicates SBH-Kingsport, LLC will be able to accept TennCare admissions if SBH is successful in becoming a contracted TennCare provider. However, it appears the TennCare cost for a patient stay to an IMD will be reimbursed from State funds only.

Note Agency Members: As part of the Medicare Catastrophic Act of 1988 (Pub.L. 100-360), Congress defined an IMD as a facility with more than 16 beds. This was apparently added to promote small, community-based group living arrangements as an alternative to large institutions. The result of these amendments is that Medicaid currently provides mental health treatment coverage for a large percentage of people with Medicaid, but that coverage is excluded for inpatient treatment of adults aged 21 to 64 in any acute or long-term care institutions with 17 or more beds that are primarily engaged in providing treatment for mental illnesses. This payment exclusion became known as the Medicaid IMD exclusion. Source: <http://www.medicaid.gov>.

History

The following is a timeline of events that have impacted SBH-Kingsport, LLC's proposed service area of Hawkins and Sullivan counties.

- 2008-The Mental Health Parity and Addiction Equity Act of 2008 is approved. The parity law aims to ensure that when coverage for mental health and substance use conditions are provided, it is generally comparable to coverage for medical and surgical care. Source: U.S Dept. of health and Human Services, http://aspe.hhs.gov/health/reports/2013/mental/rb_mental.cfm.
- 2009-MSHA, Woodridge Psychiatric Hospital (satellite of Johnson City Medical Center), CN0908-043A, located in adjacent Washington County, is approved at the November 18, 2009 Agency meeting for the addition of 9 psychiatric beds increasing the hospital bed complement from 75 to 84.
- 2009-As a result of the approval of CN0908-043A, MSHA agrees to de-license 61 psychiatric beds at Indian Path Pavilion located 24.6 miles in adjoining Sullivan County.

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- June 30, 2012- Lakeshore Mental Health Institute, a licensed 250 bed State operated Regional Mental Health Institute (RMHI) serving 26 East Tennessee counties closed.
- May 2012- The Tennessee Department of Health expands existing contracts with the following three private psychiatric facilities to provide services to uninsured patients who would have been served by LMHI: Woodridge Psychiatric Hospital (Washington County) Ridgeview Psychiatric Hospital & Center in Oak Ridge (Anderson County), and Peninsula Hospital in Louisville (Blount County).
- 2014-According to a US Department of Health and Human Services, Assistant Secretary for Planning and Evaluation (ASPE) Office of Health Policy Research Brief, the Affordable Care Act, building on the Mental Health Parity and Addiction Equity Act, will expand coverage of mental health and substance use disorder benefits and federal parity protections in three distinct ways (1) Essential Health Benefits (2) Parity in Individual and Small Group Markets (3) Increasing Access to Quality Health Care. The Brief is attached at the end of this summary.

Note to Agency members: The number of applications for psychiatric inpatient beds has increased (most likely due to the increased coverage for mental health services under the ACA). The following five applications totaling 192 beds have been or will be heard in 2014.

- *Rolling Hills Hospital, (Williamson County), CN1312-051A, approved for the addition of 40 psychiatric beds to its existing 80 bed mental health hospital at the March 26, 2014 Agency meeting.*
- *Woodridge of West Tennessee, (Madison County), CN1309-035A, approved for the establishment of a 16 bed geriatric inpatient psychiatric facility at the January 22, 2014 Agency meeting.*
- *Crestwyn Behavioral Health, (Shelby County), CN1310-040, request for the establishment of 60 bed mental health hospital located in Shelby County to be heard at the April 23, 2014 Agency meeting.*
- *SBH-Kingsport, (Sullivan County), CN1312-050, (this applicant) request for the establishment of a 72 bed mental health hospital.*
- *Athens Regional, (McMinn County), filed a LOI April 1, 2014 for the addition of (4) gero-psychiatric beds to its existing 10 bed unit.*

Need

The applicant provides the following justification in the original application:

- Indian Path Pavilion closed their 61 bed inpatient psychiatric unit.
- Lakeshore Mental Health Institute, a 250 licensed bed state operated Regional Mental Health Institute (RMHI) serving Northeast Tennessee, closed its doors.
- Only 12 inpatient psychiatric beds in the proposed service area are currently operational.

Ownership

SBH-Kingsport, LLC is wholly owned by Strategic Behavioral Health, LLC. Strategic Behavioral Health, LLC is a company based in Memphis, Tennessee that operates 7 psychiatric hospitals in Colorado, Nevada, New Mexico, and North Carolina and has one under development in College Station, Texas. If approved, SBH-Kingsport, LLC will be its first psychiatric hospital based in Tennessee.

A list of inpatient chemical dependency and psychiatric units owned by Strategic Behavioral Health is listed in Supplemental One.

Facility Information

- The proposed SBH-Kingsport, LLC facility will be a 52,263 SF one story building located on 9.7 acres.

Inpatient Areas

- The inpatient area consist of 27,044 SF.
- Each patient room is double occupancy with an adjacent restroom.
- The sixteen (16) bed geriatric unit contains a living room, group room, doctor office, seclusion room, and a centrally located nurse's station.
- The additional fifty-six beds are separated into four units (two with 18 beds and two with 10 beds).
- Two acute care units share a nurse's station, med room and seclusion room.
- There are two (2) classrooms for child and adolescent patients.
- A 2,223 SF gymnasium is available for all patients.
- A 552 SF pharmacy is on-site.

Outpatient and Assessment Areas

- Outpatient and Assessment areas are individually secure from each other and the rest of the building

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- The assessment suite includes rooms for patient assessment, financial counseling, and private family waiting.
- The outpatient suite houses individual and group therapy rooms.

Service Area Demographics

SBH-Kingsport, LLC declared primary service area is Hawkins and Sullivan Counties in Tennessee, and the counties of Wise, Scott, and Lee in Virginia.

Tennessee Total Population

- The total population of the service area is estimated at 216,484 residents in calendar year 2014 increasing by approximately 1.3% to 219,300 residents in CY 2018.
- The total population of the State of Tennessee is expected to grow 3.7% during the same timeframe.

13-17 Population

- The total 13-17 population is estimated at 13,326 residents in 2014 decreasing approximately 7.2% to 12,358 residents in 2018.
- The age 13-17 population in the State of Tennessee overall is expected to increase 0.8% during the same timeframe.

18-64 Population

- The total 18-64 population is estimated at 175,764 residents in 2014 increasing approximately 12.9% to 50,355 in 2018.
- The total 18-64 population in the State of Tennessee overall is expected to increase by 4.4% during the same timeframe.

65+ Population

- The total 65 and older population is estimated at 44,484 residents in 2014 increasing approximately by 5.2% to 184,934 in 2018.
- The age 65+ population in the State of Tennessee overall is expected to increase 12.3% during the same timeframe.

TennCare

- The latest 2013 percentage of the proposed service area population enrolled in the TennCare program is approximately 18.1%, as compared to the statewide enrollment proportion of 18.2%.

Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.

Virginia Total Population

The following table reflects population statistics for SBH-Kingsport's 3 proposed service area counties in Virginia.

County	0-18	65+	2010	2012	%change
Wise	8,429	6,015	41,452	40,918	-1.3%
Scott	4,306	4,647	23,177	22,782	-2.3%
Lee	5,044	4,458	25,587	25,474	-0.4%
Total	17,779	15,120	90,216	89,174	-1.2%

Source: <http://quickfacts.census.gov/qfd/states/51/51195.html>

- Overall, the proposed three county service area in Virginia will experienced a 1.2% decrease in population from 2010 to 2012.

Service Area Historical Utilization

Migration of patients from the proposed Tennessee service area

	County	Age 5-11	% of total	Age 12-17	% of total	Age 18-54	% of total	Age 55+	% of total	Total		% of total service area patients
Acute Care Hospitals												
Peninsula Hospital	Blount	7	33.3%	32	23.2%	174	13.8%	26	8.1%	239		13.8%
Sycamore Shoals Hospital	Carter	0	0	0	0	3	0.23%	42	13.1%	45		2.6%
Vanderbilt University Hospital	Davidson	0	0	0	0	6	0.47%	0	n/a	6		0.34%
Parkridge Valley Child and Adolescent	Hamilton	1	4.7%	6	4.3%	0	n/a	0	n/a	7		0.40%
Wellmont Regional Medical Center	Sullivan	0	0	0	n/a	157	12.5%	86	26.9%	243		14%
Woodridge Psychiatric Hospital	Washington	13	92%	100	72.5%	862	68.5%	150	46.9%	1,125		65%
Other providers		0	n/a	0	n/a	11	0.87%	16	5.0%	27		1.6%
State Mental Health Hospitals												
Mocassin Bend Mental Health Institute	Hamilton	0	n/a	0	n/a	42	3.3%	0	n/a	42		2.4%
*Lakeshore Mental Health Institute	Knox	0	n/a	0	n/a	0	0	0	n/a	0		n/a
Middle Tennessee Mental Health Institute	Davidson	0	n/a	0	n/a	4	0.31%	0	n/a	4		0.23%
Total		21		138		1,259		320		1,738		

Source: Department of Health, Hospital Discharge Data based on select diagnostic related groups (DRGs) found in Major Diagnostic Category (MDC) 19-Mental Disease Disorder.

*There was no Joint Annual Report filed by Lakeshore Mental Health for 2012. The 2011 LMHI Joint Annual Report indicated there were 35 patients admitted from Hawkins County and 135 patients admitted from Sullivan County.

- Woodridge Psychiatric Hospital has the overall highest percentage of patients from the proposed Tennessee service area totaling 65% or 1,125 patients in 2012. In addition, WPH also has the overall highest percentage of patients for the following age categories in 2012: 5-11 (92%), 12-17 (71%), 18-54 (67.6%), and 55+ (42.8%).

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Note to Agency members: Since WPH has a 65% market share in the Tennessee portion of the applicant's service area, the following will assess the impact of the proposed project on WPH.

The counties of Sullivan and Hawkins are currently in WPH's service area. If SBH-Kingsport, LLC is approved, the counties of Sullivan and Hawkins will be shared between Woodridge and SBH. An analysis of Woodridge Psychiatric Hospital's 5 county service area, need, and historical utilization would provide an overview of the possible impact on WPH, if SBH-Kingsport, LLC is approved.

The following is the migration of patients from Virginia to Woodridge Psychiatric Hospital in 2012.

Facility	COUNTY	Wise	Scott	Lee	Virginia Total	Out of State Total	Tennessee Total	Grand Total
Woodridge Psychiatric Hospital	Washington	0	74	0	274	351	3,222	3,573

Source; 2012 Joint Annual Report

- The above table indicates only 2.1% of all of Woodridge Psychiatric Hospital's admissions came from the counties of Wise, Scott and Lee Counties.

According to a previously filed application by Woodridge Psychiatric Hospital (WPH), CN0908-043A in 2009, WPH's primary service area is Washington, Sullivan, Carter, Greene and Hawkins Counties in Tennessee. Eighty-five percent (85.2%) of Woodridge patients come from these five counties. The following is an analysis of Woodridge's current primary service area.

WPH 5 County Service Area Facilities

Bed Need			Facility located in service area		
County	2018 Population	Multiply 30/100,000	Facility	Beds	Distance to applicant (SBH)
Sullivan	161,136	48.33	Wellmont Regional Medical Center	12 Beds Ages 18+	16.1 miles
Washington	138,370	41.51	MSHA: Woodridge Psychiatric Hospital	84 Beds All Ages	21 miles
Carter	57,680	17.30	MSHA: Sycamore Psych Hospital	12 Beds Gero-Psych	30.2 miles
Greene	71,594	21.47	Wellmont Health Alliance: Takoma Regional Hospital	16 Beds gero-psych	37.2 miles
Hawkins	58,164	17.44	No psych facility		
Total	486,944	146 beds		124 beds	

- The above table indicates there is a net need of 22 psychiatric beds in Woodridge's 5 county service area applying current Guidelines for Growth need standards of 30 beds per 100,000 population.
- There appears to be one (1) twelve (12) bed psychiatric unit for children ages 1-17 located at WPH. This represents 10% of total available beds in the service area. The bed need formula for the 0-17 age group for the Woodridge 5 county service area (88,638 pop.) for 2018 indicates a need of 27 child and adolescent beds resulting in a need of 15 additional beds.
- The range of distances from SBH to existing providers in WPH's 5 county service area ranges from 16.1 miles to 37.2 miles.

Woodridge Historical Utilization Trends

Facility	County	Beds (2012)	2011 Patient Days	2012 Patient Days	*2013 Patient Days	'10-'13% Change	2011 Occup.	2012 Occup.	2013 Occup.
Woodridge Psychiatric Hospital	Washington	84	19,827	21,329	22,182	+11.9%	65%	70%	72.3%

*2013 Provisional JAR

- The above chart indicates Woodridge Psychiatric Hospital's inpatient utilization in their five county service area increased 11.9% from 19,827 patient days in 2011 to 22,182 patient days in 2013.

Service Area Historical Utilization and Overall Market Share

Facility	County	Beds (2012)	2010 Patient Days	2011 Patient Days	2012 Patient Days	'10-'12 % Change	2010 Occup.	2011 Occup.	2012 Occup.	Service Area Inpatients	Service Area Patients as a % of Total
Bristol Regional Medical Center	Sullivan	12	3,189	2,448	2,745	-13.9%	72.8%	55.8%	62.7%	243	13.7%

Source: Tennessee Department of Health, Joint Annual Reports - 2010, 2011, and 2012

- The above chart indicates inpatient psychiatric utilization at the one psychiatric unit in the proposed service area decreased 13.9% from 3,189 patient days in 2010 to 2,745 patient days in 2012.

Applicant Projected Utilization

SBH-Kingsport, LLC's projected utilization for the first two years after project completion is presented in the table below:

Beds	Year 1 Admits	Year 1 Patient Days	Year 1 ALOS	Year 1 % Occupancy	Year 2 Admits	Year 2 Patient Days	Year 2 ALOS	Year 2 % Occupancy
72	725	8,700	12 days	33%	1,425	17,100	12 days	65%

Project Cost

Major costs are:

- Construction Cost- \$8,000,002, or 68.3% of cost.
- Acquisition of Site- \$925,000, or 7.9% of the total cost.
- Preparation of Site-\$675,000, or 5.8% of cost.
- For other details on Project Cost, see the Project Cost on page 20.

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- The applicant expects the construction cost per square foot to be \$153.00. This falls below the 1st quartile for hospital construction of \$234.64/sq. for projects previously approved between 2010 and 2012.

Financing

A December 11, 2013 letter from Michael A. Orians, CFO, confirms that Strategic Behavioral Health, LLC (parent company of SBH-Kingsport, LLC) has the necessary financial resources through cash balances, access to a revolving credit loan, and cash net flows to fund the project. Cash balances on hand total \$4.1 million and cash flow equals \$917,915. A December 12, 2013 letter from Stephen C. Taylor of Fifth Third Bank confirms the availability of a \$15.5 million revolving credit loan with a current variable rate of 3.75%.

Historical Data Chart

Since this is a new facility, a historical data chart was not provided.

Projected Data Chart

The applicant projects \$14,154,600.00 in total gross revenue on 8,700 days during the first year of operation and \$28,023,800 on 17,100 days in Year Two (approximately \$1,639 per day). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal a loss of (\$1,334,340) in Year One increasing to \$676,853 in Year Two.
- Net operating revenue after contractual adjustments is expected to reach \$9,603,359 or approximately 34.3% of total gross revenue in Year Two.
- Charity care at approximately 4.8% of total gross revenue in Year One and Year Two equaling to \$686,430 (422 days) and \$1,349,190 (823 days), respectively.

Strategic Behavioral Health, LLC and Subsidiaries consolidated Statement for the period ending December 31, 2012 indicates \$2,820,508 in cash and cash equivalents, total current assets of \$11,825,136, total current liabilities of \$6,338,091, and a current ratio of 1.87:1.

Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Charges

In Year One of the proposed project, the average charges are as follows:

- The proposed average gross charge is \$1,627/day in 2016.
- The average deduction is \$1,077/day, producing an average net charge of \$550/day.

Medicare/TennCare Payor Mix

- Medicare- Charges will equal \$1,305,000 in Year One representing 27% of total net operating revenue.
- TennCare- Charges will equal \$1,818,300 in Year One representing 38%.

Staffing

The applicant's proposed direct patient care staffing in Year Two includes the following:

- 1.0 Clinical Director
- 1.0 Program Director
- 16.8 Psychiatric Techs
- 2.0 Recreational Therapist
- 4.0 Therapist
- 12.6 Registered Nurses
- 1.0 Registered Nurse/Utilization Management
- 4.2 Licensed Vocational Nurse
- **42.6 Total FTE's**

Licensure/Accreditation

SBH-Kingsport, LLC will be licensed by the Tennessee Department of Mental Health and Substance Abuse Services and certified by Medicare.

SBH-Kingsport, LLC will seek accreditation from The Joint Commission.

The applicant has submitted the required information on corporate documentation and title and deeds. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency's office.

Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied, pending applications, or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied, pending applications, or outstanding Certificates of Need, for other health care organizations proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME (4/4/14)



ASPE

RESEARCH BRIEF

Affordable Care Act Will Expand Mental Health and Substance Use Disorder Benefits and Parity Protections for 62 Million Americans

By Kirsten Beronio, Rosa Po, Laura Skopec and Sherry Glied

The Affordable Care Act will provide one of the largest expansions of mental health and substance use disorder coverage in a generation. Beginning in 2014 under the law, all new small group and individual market plans will be required to cover ten Essential Health Benefit categories, including mental health and substance use disorder services, and will be required to cover them at parity with medical and surgical benefits. The Affordable Care Act builds on the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA, or the federal parity law), which requires group health plans and insurers that offer mental health and substance use disorder benefits to provide coverage that is comparable to coverage for general medical and surgical care.

While almost all large group plans and most small group plans include coverage for some mental health and substance use disorder services, there are gaps in coverage and many people with some coverage of these services do not currently receive the benefit of federal parity protections. The final rule implementing the Essential Health Benefits directs non-grandfathered¹ health plans in the individual and small group markets to cover mental health and substance use disorder services as well as to comply with the federal parity law requirements beginning in 2014.²

Mental Health and Substance Use Disorder Benefits Prior to the Affordable Care Act

About one-third of those who are currently covered in the individual market have no coverage for substance use disorder services and nearly 20 percent have no coverage for mental health services, including outpatient therapy visits and inpatient crisis intervention and stabilization.³ In addition, even when individual market plans provide these benefits, the federal parity law does not apply to these plans to ensure that coverage for mental health and substance use disorder services is generally comparable to coverage for medical and surgical care.

¹ "Grandfathered" plans are plans that were in place when the Affordable Care Act was enacted that have not been changed in certain specified ways.

² The Essential Health Benefits, Actuarial Value, and Accreditation Final Rule was released February 20, 2013.

³ ASPE Issue Brief, "Essential Health Benefits: Individual Market Coverage," ed. U.S. Department of Health & Human Services (2011).

In the small group market, coverage of mental health and substance use disorder treatment is more common than in the individual market. We estimate that about 95 percent of those with small group market coverage have substance abuse and mental health benefits.⁴ Again, the federal parity law does not apply to small group plans. In many states, state parity laws offer those covered in this market some parity protection, but most state parity laws are narrower than the federal parity requirement.

In addition, 47.5 million Americans lack health insurance coverage altogether,⁵ and 25 percent of uninsured adults have a mental health condition or substance use disorder or both.⁶

The Affordable Care Act: Better Coverage for Mental Health and Substance Use Disorders

The Affordable Care Act and its implementing regulations, building on the Mental Health Parity and Addiction Equity Act, will expand coverage of mental health and substance use disorder benefits and federal parity protections in three distinct ways: (1) by including mental health and substance use disorder benefits in the Essential Health Benefits; (2) by applying federal parity protections to mental health and substance use disorder benefits in the individual and small group markets; and (3) by providing more Americans with access to quality health care that includes coverage for mental health and substance use disorder services.

1. Essential Health Benefits

- First, under the statute, treatment for mental health and substance use disorders is a benefit category covered as part of the package of Essential Health Benefits available to all Americans in non-grandfathered plans in the individual and small group markets as of January 1, 2014. The Essential Health Benefits final rule, released today, ensures that consumers purchasing insurance can be confident that their health plan will provide the care they need if they get sick. Including mental health and substance use disorder treatment in this package means—
 - About 3.9 million people currently covered in the individual market will gain either mental health or substance use disorder coverage or both;⁷
 - Also, we estimate that 1.2 million individuals currently in small group plans will receive mental health and substance use disorder benefits under the Affordable Care Act.⁸

⁴ ASPE Issue Brief, “Essential Health Benefits: Comparing Benefits in Small Group Products and State and Federal Employee Plans,” ed. U.S. Department of Health & Human Services (2011).

⁵ Estimated based on the US Census Bureau’s 2011 American Communities Survey.

⁶ Garfield RL, Lave JR, Donahue JM, “Health reform and the scope of benefits for mental health and substance use disorder services.” *Psychiatric Services* 61:1081-1086 (2010).

⁷ Estimate based on 2011 Medical Loss Ratio filings indicating that 11 million people are covered in the individual market, and 35% lack mental health coverage, substance use coverage, or both. This estimate includes some individuals currently enrolled in grandfathered coverage.

⁸ Estimate based on the finding that approximately 95% of small group plans cover mental health and substance use disorder services. See Issue Brief, “Essential Health Benefits: Comparing Benefits in the Small Group Products and State and Federal Employee Plans,” ed. U.S. Department of Health and Human Services (2011). This estimate includes some individuals currently enrolled in grandfathered coverage.

2. Parity in the Individual and Small Group Markets

Second, HHS finalized regulations that apply federal parity rules to mental health and substance use disorder benefits included in Essential Health Benefits. As a result, Americans accessing coverage through non-grandfathered plans in the individual and small group markets will now be able to count on mental health and substance use disorder coverage that is comparable to their general medical and surgical coverage.

- Under this approach, 7.1 million Americans currently covered in the individual market who currently have some mental health and substance use disorder benefits will have access to coverage of Essential Health Benefits that conforms to federal parity protections as provided for under the Affordable Care Act and the Mental Health Parity and Addiction Equity Act.⁹
- In addition, because the application of parity to Essential Health Benefits will also apply to those currently enrolled in non-grandfathered plans in the small group market, 23.3 million current enrollees in small group plans will also receive the benefit of having mental health and substance use disorder benefits that are subject to the federal parity law.^{10,11}

3. Increasing Access to Quality Health Care

Finally, the Affordable Care Act will expand insurance coverage to a projected 27 million previously uninsured Americans through access to private health insurance in the individual and small group markets, the Marketplaces, and Medicaid.¹² Essential Health Benefits, including mental health and substance use disorder services subject to parity requirements, will be available to this newly covered population.

In total, through the Affordable Care Act, 32.1 million Americans will gain access to coverage that includes mental health and/or substance use disorder benefits that comply with federal parity requirements and an additional 30.4 million Americans who currently have some mental health and substance abuse benefits will benefit from the federal parity protections. By building on the structure of the Mental Health Parity and Addiction Equity Act, the Affordable Care Act will extend federal parity protections to 62 million Americans.

⁹ Estimate based on 2011 Medical Loss Ratio filings indicating that 11 million people are covered in the individual market. This estimate includes some individuals currently enrolled in grandfathered coverage.

¹⁰ State parity laws often already apply to these small group plans.

¹¹ Estimate based on ASPE internal analysis of the 2012 Current Population Survey indicating that 24.5 million people are enrolled in employer-sponsored insurance and work in a firm with fewer than 50 employees. This analysis excluded anyone who also reported Medicare, Medicaid, CHIP, or military coverage. This estimate includes some individuals currently enrolled in grandfathered coverage.

¹² Congressional Budget Office, "Effects of the Affordable Care Act on Health Insurance Coverage – February 2013 Baseline," (2013).

	Individuals who will gain mental health, substance use disorder, or both benefits under the Affordable Care Act, including federal parity protections	Individuals with existing mental health and substance use disorder benefits who will benefit from federal parity protections	Total individuals who will benefit from federal parity protections as a result of the Affordable Care Act
Individuals currently in individual plans	3.9 million	7.1 million	11 million
Individuals currently in small group plans	1.2 million	23.3 million	24.5 million
Individuals currently uninsured	27 million	n/a	27 million
<u>Total</u>	<u>32.1 million</u>	<u>30.4 million</u>	<u>62.5 million</u>

NOTE: These estimates include individuals and families who are currently enrolled in grandfathered coverage. Grandfathered plans are not required to comply with the Essential Health Benefits provisions of the Affordable Care Act. We note that, as the Affordable Care Act is implemented, we expect grandfathered coverage to diminish, particularly in the individual market.

LETTER OF INTENT



DEC 10 '13 PM3:1

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Kingsport Times News which is a newspaper
(Name of Newspaper)
of general circulation in Sullivan County, Tennessee, on or before December 10, 2013, for one day.
(County) (Month / day) (Year)

=====

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

SBH-Kingsport, LLC
(Name of Applicant)

N/A
(Facility Type-Existing)

owned by: SBH-Kingsport, LLC with an ownership type of limited liability company
and to be managed by: itself intends to file an application for a Certificate of Need for:

establishment of a new inpatient psychiatric hospital in Kingsport, Sullivan County, Tennessee 37660. This project will be located on unaddressed property at the end of Executive Park Boulevard in Kingsport, Tennessee. This property extends south and west of Executive Park Boulevard, and is south of the intersection of Executive Park Boulevard and East Stone Drive in Kingsport, Tennessee. This project will involve the initiation of inpatient psychiatric hospital services. This new psychiatric hospital will have 18 adult beds, 16 geropsychiatric beds, 28 child and adolescent beds, and 10 chemical dependency beds. These 72 beds will all be new beds licensed as psychiatric hospital beds. The estimated project costs for this project are projected to be approximately \$12,000,000.00.

The anticipated date of filing the application is December 13, 2013.

The contact person for this project is Mike Garone Director of Development
(Contact Name) (Title)

who may be reached at: Strategic Behavioral Health, LLC 8295 Tournament Drive, Suite 201
(Company Name) (Address)

Memphis
(City)

Tennessee
(State)

38125
(Zip Code)

901 / 969-3100
(Area Code / Phone Number)

Mike Garone
(Signature)

12/10/13
(Date)

mgarone@strategicbh.com
(E-mail Address)

=====

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

COPY

-Application

SBH-Kingsport,

LLC

CN1312-050

1.	<u>Name of Facility, Agency, or Institution</u> <u>SBH - Kingsport, LLC</u> Name <u>unaddressed property at the end of Executive Park Boulevard, south of the</u> <u>intersection of Executive Park Boulevard and East Stone Drive</u> Street or Route <u>Sullivan</u> County <u>Kingsport</u> <u>TN</u> <u>37660</u> City State Zip Code												
2.	<u>Contact Person Available for Responses to Questions</u> <u>Mike Garone</u> <u>Director of Development</u> Name Title <u>Strategic Behavioral Health, LLC</u> <u>mgarone@strategicbh.com</u> Company Name E-mail address <u>8295 Tournament Drive, Suite 201</u> <u>Memphis</u> <u>TN</u> <u>38125</u> Street or Route City State Zip Code <u>Director of Development</u> <u>901-969-3100</u> <u>901-969-3120</u> Association with Owner Phone Number Fax Number												
3.	<u>Owner of the Facility, Agency or Institution</u> <u>SBH-Kingsport, LLC</u> <u>901-969-3100</u> Name Phone No. <u>8295 Tournament Drive, Suite 201</u> <u>Shelby</u> Street or Route County <u>Memphis</u> <u>TN</u> <u>38125</u> City State Zip Code												
4.	<u>Type of Ownership of Control (Check One)</u> <table style="width: 100%;"> <tr> <td style="width: 50%;">A. Sole Proprietorship <input type="checkbox"/></td> <td style="width: 50%;">F. Government (State of TN) <input type="checkbox"/></td> </tr> <tr> <td>B. Partnership <input type="checkbox"/></td> <td>or Political Subdivision <input type="checkbox"/></td> </tr> <tr> <td>C. Limited Partnership <input type="checkbox"/></td> <td>G. Joint Venture <input type="checkbox"/></td> </tr> <tr> <td>D. Corporation (For Profit) <input type="checkbox"/></td> <td>H. Limited Liability Company <input checked="" type="checkbox"/></td> </tr> <tr> <td>E. Corporation (Not-for-Profit) <input type="checkbox"/></td> <td>I. Other (Specify) <input type="checkbox"/></td> </tr> </table>			A. Sole Proprietorship <input type="checkbox"/>	F. Government (State of TN) <input type="checkbox"/>	B. Partnership <input type="checkbox"/>	or Political Subdivision <input type="checkbox"/>	C. Limited Partnership <input type="checkbox"/>	G. Joint Venture <input type="checkbox"/>	D. Corporation (For Profit) <input type="checkbox"/>	H. Limited Liability Company <input checked="" type="checkbox"/>	E. Corporation (Not-for-Profit) <input type="checkbox"/>	I. Other (Specify) <input type="checkbox"/>
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E. Corporation (Not-for-Profit) <input type="checkbox"/>	I. Other (Specify) <input type="checkbox"/>												

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. **Name of Management/Operating Entity (If Applicable)** N/A

Name _____

Street or Route _____

County _____

City _____

State _____

Zip Code _____

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

- | | | | |
|-------------------------|----------|--------------------|-------|
| A. Ownership | _____ | D. Option to Lease | _____ |
| B. Option to Purchase | <u>X</u> | E. Other (Specify) | _____ |
| C. Lease of _____ Years | _____ | | |

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

7. **Type of Institution (Check as appropriate – more than one response may apply)**

- | | | | |
|--|----------|--|-------|
| A. Hospital (Specify) | _____ | I. Nursing Home | _____ |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | _____ | J. Outpatient Diagnostic Center | _____ |
| C. ASTC, Single Specialty | _____ | K. Recuperation Center | _____ |
| D. Home Health Agency | _____ | L. Rehabilitation Facility | _____ |
| E. Hospice | _____ | M. Residential Hospice | _____ |
| F. Mental Health Hospital | <u>X</u> | N. Non-Residential Methadone Facility | _____ |
| G. Mental Health Residential Treatment Facility | _____ | O. Birthing Center | _____ |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | _____ | P. Other Outpatient Facility (Specify) | _____ |
| | | Q. Other (Specify) | _____ |

8. **Purpose of Review (Check) as appropriate—more than one response may apply)**

- | | | | |
|--|----------|---|-------|
| A. New Institution | <u>X</u> | H. Change in Bed Complement | _____ |
| B. Replacement/Existing Facility | _____ | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | |
| C. Modification/Existing Facility | _____ | I. Change of Location | _____ |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) | _____ | J. Other (Specify) | _____ |
| E. (Specify) <u>Psychiatric services</u> | <u>X</u> | | |
| F. Discontinuance of OB Services | _____ | | |
| G. Acquisition of Equipment | _____ | | |

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

	Current Beds <u>Licensed *CON</u>	Staffed <u>Beds</u>	Beds <u>Proposed</u>	TOTAL Beds at <u>Completion</u>
A. Medical	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	18	18
I. Geriatric Psychiatric	_____	_____	16	16
J. Child/Adolescent Psychiatric	_____	_____	28	28
K. Rehabilitation	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	10	10
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____
TOTAL	_____	_____	72	72

*CON-Beds approved but not yet in service

10. Medicare Provider Number _____ to be applied for
 Certification Type _____ inpatient psychiatric hospital

11. Medicaid Provider Number _____ to be applied for
 Certification Type _____ inpatient psychiatric hospital

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? ☒

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

NOTE: Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

RESPONSE: SBH-Kingsport, LLC ("SBH") proposes to establish a 72-bed, free-standing psychiatric hospital located in Kingsport, Sullivan County, Tennessee. It is requesting CON permission to construct 18 adult psychiatric beds, 16 geropsychiatric beds, 28 child and adolescent psychiatric beds, and 10 chemical dependency beds for a total of 72 beds.

SBH will be owned and operated by a limited liability company, SBH-Kingsport, LLC. This limited liability company is a wholly-owned subsidiary of Strategic Behavioral Health, LLC, which is an inpatient psychiatric hospital company based in Memphis, Tennessee. It currently operates seven psychiatric hospitals through subsidiaries in the states of Colorado, Nevada, New Mexico and North Carolina. It has another facility under development in College Station, Texas. SBH will be its first hospital based in its home state of Tennessee.

The service area for SBH is projected to be the counties of Sullivan and Hawkins in Tennessee, and the counties of Wise, Scott and Lee in southwestern Virginia. Currently, in this service area there are only twelve inpatient psychiatric beds, located at Bristol Regional Medical Center in Bristol, Tennessee, at the eastern end of the service area. Thus, as far as the applicant is able to ascertain, in its proposed service area, which has a population of more than 300,000 people, there are only 12 inpatient psychiatric beds (located in Bristol). Thus, there is a significant need for additional inpatient psychiatric bed resources in this service area, particularly as it pertains to children and adolescents. Sullivan County is the most populous county in upper East Tennessee, and Kingsport is the biggest municipality in the service area.

The projected project costs for this hospital development are approximately \$12,000,000. The funding for this project will be developed with the assistance of Dobbs Management Services, LLC, the owners of which represent the majority ownership of Strategic Behavioral Health, LLC. Furthermore, as of December 31, 2012, SBH itself had consolidated annual net revenue of approximately \$50.7 million and employed approximately 745 employees. Thus, Strategic Behavioral Health, LLC, the parent

company of SBH-Kingsport, LLC, is a well-capitalized, financially successful psychiatric hospital development and management company.

SBH, the parent company of the applicant, is experienced in the development and operation of inpatient psychiatric facilities. Therefore, it has access to sufficient resources to assure proper staffing and financial feasibility for this facility, SBH-Kingsport, LLC, in Kingsport, Tennessee, the subject of this CON application.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.**

If the project involves none of the above, describe the development of the proposal.

RESPONSE: SBH-Kingsport, LLC, the applicant for this project, is requesting a certificate of need for the construction, development and establishment of a 72-bed free-standing psychiatric hospital to be located at unaddressed property at the end of Executive Park Boulevard, Kingsport, Tennessee 37660.

The requested chart for square footage and cost per square foot is attached. This project is projected to cost approximately \$12,000,000, and is further projected to contain approximately 52,260 square feet of psychiatric hospital and related space. The construction costs are projected to be approximately \$153 per square foot.

The proposed SBH-Kingsport will be a one-story, 52,263 SF facility serving acute psychiatric and chemical dependency patients. The structure is type VA construction with the following occupancies: Institutional (I-2) at patient units, Assembly (A-2) at the Dining Room, Assembly (A-3) at the Gym, Education (E) at the classrooms, and Business (B) at the administrative, assessment and outpatient suites. The building structure consists of spread footings (unless the soil report dictates otherwise), concrete slab-on-grade, load-bearing steel studs, and pitched wood roof trusses. The exterior walls are clad in two colors of brick, the roof is asphalt shingles, and the glazing is frosted in patient areas to protect patient privacy. On-site parking is provided per local zoning guidelines. A covered ambulatory entrance is also included.

Each patient room is double-occupancy and is served by an adjacent bathroom with shower, toilet and lavatory. The 16-bed geriatric unit contains a living room, group room, doctor office, seclusion room with dedicated toilet room, and a centrally-located nurses' station. The additional 56 inpatient beds are separated into four units – two with 18 beds and two with 10 beds. Each unit houses a dayroom and consultation office. Two acute units share a nurses' station, med room, and seclusion room with dedicated toilet room. The nurses' station is located so that the nursing staff can maintain visual control over both units while preserving acoustic separation to protect patient privacy.

Child and Adolescent patients are served by two classrooms. There is a full-service kitchen and adjacent dining room that can be divided into two separate spaces. A gymnasium with basketball goal is available for all patients.

The administrative, assessment and outpatient suites are individually secure from each other and the rest of the building. The assessment suite includes rooms dedicated to patient assessment, financial counseling, and private family waiting. The outpatient suite houses therapy offices, and group rooms. The administrative suite includes offices and a large conference area.

All fixtures, hardware and finishes have been selected with patient safety as the critical factor. Plumbing fixtures, door hardware, shower curtain hangers, and furniture are specified to be anti-ligature. All patient room windows are protected from the interior with polycarbonate. Corridor and patient room walls are protected below the chair rail with FRP panels. Even with these measures in place, great care has been taken to create a welcoming, comfortable environment with a residential feel for patients and staff.

The design meets local building codes as well as regulations set forth by the Tennessee Department of Health.

No major medical equipment will be purchased for this project.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

RESPONSE: This project involves development of an inpatient psychiatric hospital that is projected to contain 18 adult psychiatric beds, 16 geropsychiatric beds, 28 child and adolescent psychiatric beds, and 10 chemical dependency beds. Thus, it will have a total of 72 licensed inpatient psychiatric hospital beds when the project is completed. It does not have any existing services in this service area.

The applicant has chosen to seek the establishment of 28 child and adolescent psychiatric beds because, to the best of its knowledge, there are no dedicated child and adolescent psychiatric beds reported for this service area. Thus, these beds will, in a dedicated fashion, meet the extensive need which exists in the service area for such dedicated resources to serve the inpatient behavioral health needs of children and adolescents in the service area.

Furthermore, until 2009, a 61-bed psychiatric hospital existed in Kingsport, Tennessee. This was Indian Path Pavilion, which was closed down in approximately 2009 as part of a CON project whereby an additional nine adult psychiatric beds were opened at the Woodridge Psychiatric facility in Johnson City, in Washington County, which is not in this service area. The owner of Woodridge, Mountain States Health Alliance ("MSHA"), having acquired Indian Path Pavilion a number of years earlier, closed it sometime around 2009. Thus, for a number of years, there have been no sizeable provider of inpatient psychiatric beds anywhere in this five-county service area that is proposed for this project.

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		Proposed Final Cost/ SF		
					Renovated	New	Renovated	New	Total
Administration						5,338		\$153.07	\$153.07
Assessment						2,704		\$153.07	\$153.07
Outpatient Treatment						2,078		\$153.07	\$153.07
Inpatient Unit						27,044		\$153.07	\$153.07
Lab						0		0	0
Dietary						2,467		\$153.07	\$153.07
Educational						906		\$153.07	\$153.07
Gym						2,223		\$153.07	\$153.07
Building Support						1,112		\$153.07	\$153.07
Materials Management						568		\$153.07	\$153.07
Pharmacy						552		\$153.07	\$153.07

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

RESPONSE: The applicant, SBH, proposes to initiate adult psychiatric as well as child and adolescent psychiatric services, along with beds for each, at this proposed new facility. As noted above, Indian Path Pavilion does not provide inpatient psychiatric bed services now, and has not done so for a number of years.

Also, the applicant is informed that northeast Tennessee, unlike most of the other regions of the state, does not have a government owned and operated mental health facility. Thus, SBH will be contributing additional resources, personnel and funding to meeting the need for inpatient behavioral services, especially for children and adolescents, in this service area, after this proposal is approved and the project is completed.

- D. Describe the need to change location or replace an existing facility.

RESPONSE: Not applicable.

- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1 .5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost; (As defined by Agency Rule).
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

RESPONSE: Not applicable.

b. Provide current and proposed schedules of operations.

RESPONSE: Not applicable.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

RESPONSE: Not applicable.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

RESPONSE: Not applicable.

III. A. Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must** include:

1. Size of site (*In acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

RESPONSE: The requested plot plan is attached. Executive Park Boulevard dead-ends at the site, which lies south of the Executive Park Boulevard

intersection with East Stone Drive in Kingsport, Tennessee. The site's acreage is approximately 9.7 acres.

- B. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE: SBH-Kingsport, LLC will be located on undeveloped land at the end of Executive Park Boulevard in Kingsport, Tennessee. The site is very close to one of the major highway intersections in Kingsport – the intersection of East Stone Drive and North John B. Dennis Highway.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

RESPONSE: The requested floor plans are attached.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

- V. For a Home Health Agency or Hospice, identify:

- A. Existing service area by County;
- B. Proposed service area by County;
- C. A parent or primary service provider;
- D. Existing branches; and
- E. Proposed branches.

RESPONSE: Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS
NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.
 - A. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

RESPONSE: The applicant's responses to the individual criteria for this project in the *Guidelines for Growth* are set forth below.

Psychiatric Inpatient Services**A. Need**

1. The population-based estimate of the total need for psychiatric inpatient services is 30 beds per 100,000 general population (using population estimates prepared by the Department of Health and applying the data in Joint Annual Reports).

RESPONSE: The total population of the five-county service area, Sullivan and Hawkins Counties Tennessee and Wise, Scott and Lee Counties in Virginia, is approximately 305,657, according to recent Census Bureau and Tennessee Department of Health data. At the rate of 30 beds per 100,000 population, there is a need for approximately 90 beds and in this five-county service area.

Sullivan County is by far the most populous county in the service area, with a 2014 population of nearly 159,000 people. If the need for Sullivan and Hawkins Counties only were considered separately, there would be approximately 216,484 people in that service area. These two counties alone would generate a need for more than 62

inpatient psychiatric beds, according to the *Guidelines for Growth* formula (excluding the population 4 years of age and under).

In the service area, according to the applicant's best information, there are only 12 inpatient psychiatric beds located at Bristol Regional Medical Center. Thus, there is a need for 78 additional inpatient psychiatric hospital beds for this service area, as calculated by the 30 beds per 100,000 general population need formula in the *Guidelines for Growth*.

2. For adult programs, the age group of 18 years and older should be used in calculating the estimated total number of beds needed.

RESPONSE: Available population data charts break out the population according to the chart below, in age brackets that run from 15 to 19 for adolescents. The applicant has analyzed the need for adult beds for the population cohorts age 19 through 64, as shown on the chart below. As this chart indicates, there are approximately 186,000 adults in the service area. When the need standard in *Guidelines for Growth* of 30 beds per 100,000 population is applied, the needed beds figure amounts to 55.8 adult beds, which would be 56 beds rounded off. Currently, as noted above, there are 12 inpatient psychiatric adult beds at Bristol Regional Medical Center in Bristol, Tennessee. Therefore, according to this formula, there are 44 additional adult inpatient psychiatric beds needed for the service area. This application seeks 18 such beds; therefore, this application satisfies this criterion. The population data in the cart below are from two sources: the Tennessee data for Sullivan and Hawkins County are from the Tennessee Department of Health's 2013 Population Projections 2010-2020, while the data for the Virginia counties of Wise, Scott and Lee are from the U.S. Census Bureau's 7/1/2012 County Characteristics Resident Population Estimates.

This application also plans to establish 16 geropsychiatric beds. The age 65 and over population of the service is approximately 60,650 individuals. This yields a need for 18.2 geropsychiatric beds, according to the need formula. The applicant seeks 16 geropsychiatric beds, thus the need for those beds in this service area is justified under the *Guidelines for Growth*.

Age Brackets: Population of Service Area

County	Ages 5-14	Ages 15-19	Ages 19-64	Ages 65+	Totals
Sullivan	16,775	9,398	92,651	33,325	152,149
Hawkins	6,597	3,617	33,582	11,259	55,055
Wise, VA	4,683	2,682	26,117	6,028	39,510
Scott, VA	2,422	1,213	18,175	4,656	26,466
Lee, VA	1,475	1,355	15,537	5,382	23,749
Totals:	31,952	18,265	186,062	60,650	296,929

3. For child inpatient under age 13, and if adolescent program the age group of 13-17 should be used.

RESPONSE: Given the way the population data is available, the applicant has examined the population service area in two age ranges as shown in the chart above: ages 5 through 14 and ages 15 through 19. The ages 5 through 14 yields a total

population of the service area for this age group as 31,952, which yields a need of 9.6 beds.

Similarly, the adolescent age group of ages 15 through 19 yields a population total of 18,265 individuals. This yields, under the *Guidelines for Growth* need formula, a need for 5.5 beds. Thus, for children and adolescents there is a net need of 15.1 beds, which yields a practical need of 16 beds in this service area. The applicant believes that, given the paucity of dedicated adolescent psychiatric hospital beds in the upper east Tennessee, southwestern Virginia area, it will draw additional utilization for this service from counties outside the primary service area.

4. These estimates for total need should be adjusted by the existent staffed beds operating in the area as counted by the Department of Health in the Joint Annual Report.

RESPONSE: As shown in the above responses, there are only 12 existing inpatient psychiatric hospital beds in the service area, according to the applicant's best information. Therefore, there is a significant need for the additional beds as set forth in this application.

B. Service Area

1. The geographic service area should be reasonable and based on an optimal balance between population density and service proximity or the Community Service Agency.

RESPONSE: As noted above, the Tennessee counties of Sullivan and Hawkins account for more than 70% of the population in the service area. Given Kingsport's prominence in the service area as the largest city in this region as well as the service area, and Sullivan County's status as the most populous county in the service area, it is entirely appropriate for this hospital to be based in the most densely populated area of the service area, in Kingsport, Tennessee. Furthermore, Kingsport shares geography and economic links with the counties to its north and west in southwestern Virginia. Therefore, the population area is reasonable, given the mountainous nature of this region.

2. The relationship of the socio-demographics of the service area, and the projected population to receive services, should be considered. The proposal's sensitivity to and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low income groups, and those needing services involuntarily.

RESPONSE: The applicant will accept involuntary and voluntary admissions to its inpatient psychiatric beds. There is also a great need for service to low income groups and individuals suffering from chemical dependency. People needing chemical dependency inpatient services are a group for whom there are no other dedicated beds in the service area, to the best of the information of the applicant. The socio demographics of the service area are shown in the attached population reports.

C. Relationship to Existing Applicable Plans

1. The proposal's relationship to policy as formulated in state, city, county, and/or regional plans and other documents should be a significant consideration.

RESPONSE: As shown above, this project is consistent with the *Guidelines for Growth's* numerical and need analysis. It will provide much needed investment in inpatient psychiatric facilities in the northeastern Tennessee area, given the closure of the Indian Path Pavilion psychiatric hospital in 2009, and the closure of Lakeshore Mental Health Institute in Knoxville in 2012, which had included Sullivan and Hawkins Counties in its service area.

2. The proposal's relationship to underserved geographic areas and underserved population groups as identified in state, city, county and/or regional plans and other documents should be a significant consideration.

RESPONSE: As noted above, this mountainous area of northeastern Tennessee and southwestern Virginia is underserved in terms of inpatient psychiatric hospital beds. The applicant has received significant support from individuals in the area who believe there is a need for additional inpatient psychiatric services. That there are only 12 inpatient psychiatric beds in the service area also indicates that it is an underserved area with an underserved population.

3. The impact of the proposal on similar services supported by state appropriations should be assessed and considered.

RESPONSE: The applicant will accept TennCare patients and referrals. However, because of certain restrictions in the Medicaid program, the applicant will not be able to accept adult TennCare admissions, until as the applicant hopes will occur soon, the Medicare regulations preventing such acceptance are altered. However, the majority of TennCare patients are under 21.

4. The proposal's relationship to whether or not the facility takes voluntary and/or involuntary admissions, and whether the facility serves acute and/or long-term patients, should be assessed and considered.

RESPONSE: As indicated above, the applicant will accept voluntary and involuntary admissions. It is familiar with the involuntary admission process and issues; its parent company supports similar processes in other states at its other inpatient psychiatric hospitals.

5. The degree of projected financial participation in the Medicare and TennCare programs should be considered.

RESPONSE: The applicant does intend to accept all available TennCare admissions, and will accept Medicare admissions as well. Therefore, the applicant anticipates significant Medicare and TennCare utilization and financial participation. Its TennCare utilization is projected to be 38% of charges while its projected Medicare utilization is projected to be 20% of charges.

D. Relationship to Existing Similar Services in the Area

1. The area's trends in occupancy and utilization of similar services should be considered.

RESPONSE: As noted above, there is only one other location in the service area which provides inpatient psychiatric services: Bristol Regional Medical Center in Bristol, Tennessee. Bristol is located at the eastern end of Sullivan County, whereas Kingsport is on the western side of Sullivan County. The applicant does not foresee significant impact on this project on the Bristol BRMC inpatient psych beds given the complete absence of these services in the Kingsport area currently, or in any of the other counties in the projected service area.

2. Accessibility to specific special need groups should be an important factor.

RESPONSE: As noted, the applicant will accept involuntary admissions. Therefore, the mentally infirm will be eligible to receive treatment at this facility.

E. Feasibility

The ability of the applicant to meet Tennessee Department of Mental Health licensure requirements (related to personnel and staffing for psychiatric inpatient facilities) should be considered.

RESPONSE: The applicant will meet all applicable licensure regulations of the Tennessee Department of Mental Health and Substance Abuse Services, as well as any required by the Department of Health. It also intends to be accredited by the Joint Commission. It will meet all applicable licensure for all applicable personnel and staffing requirements for inpatient psychiatric facilities.

- B. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

RESPONSE: Not applicable.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

RESPONSE: This is a new facility. However, it is the first facility in Tennessee to be sought to be developed by Strategic Behavioral Health, LLC, which is a provider of mental health services in a number of other states. Strategic Behavioral Health, LLC is based in Memphis, Tennessee, and considers the development of a Tennessee facility to be essential to its long-range development plan.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

RESPONSE: The proposed service area consists of the Tennessee counties of Sullivan and Hawkins, and the Virginia counties of Wise, Scott and Lee. The proposed service

area maps are attached. The applicant plans to establish this facility in this most populous town in the most populous county in the service area. Its location is convenient to residents of Hawkins County, as well as to residents of Wise, Scott, and Lee Counties in Virginia. These counties form a service area which looks to facilities in Kingsport for service. It also constitutes an area that has very few inpatient psychiatric beds. It needs this project.

4. A. Describe the demographics of the population to be served by this proposal.

RESPONSE: The demographics of the service area are as demonstrated in the attached population data tables.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE: See the responses to the *Guidelines for Growth* criteria above. Also, according to the publication of the National Institute of Mental Health ("NIMH") entitled "The Numbers Count: Mental Disorders in America", over 26% of Americans 18 and older suffer from a diagnosable mental disorder in any given year. Furthermore, NIMH states that 6% of the population suffers from a serious mental illness, and mental disorders are the leading cause of disability in the U.S. These same conditions apply to the population of this project's service area.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

RESPONSE: As noted above, there is only one other provider of inpatient psychiatric services in the service area: Bristol Regional Medical Center in Bristol, Tennessee. It reports having 12 adult psychiatric beds. According to the DOH Office of Health Statistics, in 2011, BRMC had 335 psychiatric admissions, which generated 2,448 patient days.

Its reported utilization for the past three years as shown in BRMC's Joint Annual Reports for the respective years, differs significantly, and apparently does not reflect the utilization of its 12 psychiatric beds:

Year	Drug/Alcohol Admissions	Drug/Alcohol Patient Days	Psychiatric Admissions	Psychiatric Patient Days
2012	57	200	44	184
2011	42	146	62	266
2010	43	116	40	195

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: This project is for the establishment of a new inpatient psychiatric hospital. There is no historical utilization. The utilization projected for the first two years following the completion of this project is as set forth below:

Month	Year 1	Year 2
January	3.9	38.7
February	6.4	40.3
March	11.6	40.6
April	16.0	44.0
May	19.4	44.5
June	24.0	48.4
July	27.1	48.4
August	31.0	50.3
September	34.0	51.2
October	34.8	50.3
November	38.0	52.8
December	38.7	52.3
Total Average ADC	23.8	46.8

ECONOMIC FEASIBILITY

- Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee).
 - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
 - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

RESPONSE: The projected cost report is attached. The documentation from the architect and contractor requested are attached hereto.

PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	<u>\$267,000</u>
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	<u>\$75,000</u>
3.	Acquisition of Site	<u>\$925,000</u>
4.	Preparation of Site	<u>\$675,000</u>
5.	Construction Costs	<u>\$8,000,002</u>
6.	Contingency Fund	<u>\$200,000</u>
7.	Fixed Equipment (Not included in Construction Contract)	<u>\$660,000</u>
8.	Moveable Equipment (List all equipment over \$50,000)	<u>\$100,000</u>
9.	Other (Specify) <u>N/A</u>	<u>N/A</u>
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive or building and land)	<u>N/A</u>
2.	Building only	<u>N/A</u>
3.	Land only	<u>N/A</u>
4.	Equipment (Specify) <u>Copier</u>	<u>\$2,000</u>
5.	Other (Specify) _____	<u>N/A</u>
C. Financing Costs and Fees:		
1.	Interim Financing	<u>\$150,000</u>
2.	Underwriting Costs	<u>\$75,000</u>
3.	Reserve for One Year's Debt Service	<u>N/A</u>
4.	Other (Specify) <u>Build Year Operating Cost</u>	<u>\$562,607</u>
D.	Estimated Project Cost (A+B+C)	<u>\$11,691,609</u>
E.	CON Filing Fee	<u>\$26,306</u>
F.	Total Estimated Project Cost (D+E)	<u>\$11,717,915</u>
TOTAL		<u>\$11,717,915</u>

2. Identify the funding sources for this project.

A. Please check the applicable item(s) below and briefly summarize how the project will be financed. (**Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2).**

- ☐ A. Commercial loan - Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds - Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of Intent form for grant application or notice of grant award; or
- ☒ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☒ F. Other--Identify and document funding from all other sources.

RESPONSE: The funding source letter for this project is attached hereto.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

RESPONSE: The project costs for establishing this new inpatient psychiatric facility are reasonable. The cost per square foot of construction is approximately \$153. This compares favorably with recent projects approved by the Health Services and Development Agency.

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, including anticipated revenue from the proposed beds only, not from all beds in the facility).

RESPONSE: As noted, this is a new facility, therefore, there is no historical data for it. The requested Projected Data Chart is attached hereto.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

RESPONSE: The project's average gross charge is \$1,578; its average deduction from operating revenue is \$979, and its average net charge is \$599.

HISTORICAL DATA CHART

N/A

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in _____ (Month).

	Year_____	Year_____	Year_____
A. Utilization Data (Specify unit of measure)	_____	_____	_____
B. Revenue from Services to Patients			
1. Inpatient Services	\$_____	\$_____	\$_____
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue (Specify)_____	_____	_____	_____
Gross Operating Revenue	\$_____	\$_____	\$_____
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$_____	\$_____	\$_____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
Total Deductions	\$_____	\$_____	\$_____
NET OPERATING REVENUE	\$_____	\$_____	\$_____
D. Operating Expenses			
1. Salaries and Wages	\$_____	\$_____	\$_____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Taxes	_____	_____	_____
5. Depreciation	_____	_____	_____
6. Rent	_____	_____	_____
7. Interest, other than Capital	_____	_____	_____
8. Management Fees:			
a. Fees to Affiliates	_____	_____	_____
b. Fees to Non-Affiliates	_____	_____	_____
9. Other Expenses (Specify)_____	_____	_____	_____
Total Operating Expenses	\$_____	\$_____	\$_____
E. Other Revenue (Expenses) – Net (Specify)	\$_____	\$_____	\$_____
NET OPERATING INCOME (LOSS)	\$_____	\$_____	\$_____
F. Capital Expenditures			
1. Retirement of Principal	\$_____	\$_____	\$_____
2. Interest	_____	_____	_____
Total Capital Expenditures	\$_____	\$_____	\$_____
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	\$_____	\$_____	\$_____

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (Specify unit of measure) patient days	<u>8,700</u>	<u>17,100</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>\$13,728,600</u>	<u>\$26,983,800</u>
2. Outpatient Services	<u>426,000</u>	<u>1,040,000</u>
3. Emergency Services	<u>0</u>	<u>0</u>
4. Other Operating Revenue (Specify) <u>N/A</u>	<u>0</u>	<u>0</u>
Gross Operating Revenue	<u>\$14,154,600</u>	<u>\$28,023,800</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$8,521,215</u>	<u>\$16,748,595</u>
2. Provision for Charity Care	<u>686,430</u>	<u>1,349,190</u>
3. Provisions for Bad Debt	<u>162,612</u>	<u>322,656</u>
Total Deductions	<u>\$9,370,257</u>	<u>\$18,420,441</u>
NET OPERATING REVENUE	<u>\$4,784,343</u>	<u>\$9,603,359</u>
D. Operating Expenses		
1. Salaries and Wages	<u>\$3,388,492</u>	<u>\$5,628,936</u>
2. Physician's Salaries and Wages	<u>150,000</u>	<u>150,000</u>
3. Supplies	<u>405,000</u>	<u>786,600</u>
4. Taxes	<u>60,000</u>	<u>60,000</u>
5. Depreciation	<u>414,056</u>	<u>414,056</u>
6. Rent	<u>24,000</u>	<u>24,000</u>
7. Interest, other than Capital	<u>N/A</u>	<u>N/A</u>
8. Management Fees:		
a. Fees to Affiliates	<u>N/A</u>	<u>N/A</u>
b. Fees to Non-Affiliates	<u>N/A</u>	<u>N/A</u>
9. Other Expenses (Specify) <u>Utilities/ins/travel/repairs/</u> <u>advertising/purchased serv</u>	<u>843,108</u>	<u>1,057,692</u>
Total Operating Expenses	<u>\$5,284,656</u>	<u>\$8,121,284</u>
E. Other Revenue (Expenses) -- Net (Specify)	<u>N/A</u>	<u>N/A</u>
NET OPERATING INCOME (LOSS)	<u>\$<500,313></u>	<u>\$1,482,075</u>
F. Capital Expenditures		
1. Retirement of Principal	<u>\$380,000</u>	<u>\$366,879</u>
2. Interest	<u>454,027</u>	<u>438,343</u>
Total Capital Expenditures	<u>\$834,027</u>	<u>\$805,222</u>
NET OPERATING INCOME (LOSS)	<u>\$<1,334,340></u>	<u>\$676.853</u>
LESS CAPITAL EXPENDITURES		

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

RESPONSE: There is no current charge schedule for this facility since it has not been constructed yet. Its proposed charges are as follows:

Adult psychiatric average inpatient charge per day: \$1,578

Geropsychiatric average inpatient charge per day: \$1,578

Child and adolescent average inpatient charge per day: \$1,578

Chemical dependency average inpatient charge per day: \$1,578

These charges compare favorably with charges for other inpatient psychiatric facilities that can be ascertained from the records of the HSDA.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: See response to Question A above.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

RESPONSE: Given the need for additional psychiatric inpatient services in the service area, especially for children, the applicant projects that its utilization rates are sufficient to maintain cost effectiveness of the facility. The applicant has significant experience in starting and establishing inpatient psychiatric facilities in other states. The number of psychiatric beds it proposes to build here (72) take into account economies of scale superior to those of smaller-scale units in general acute-care hospitals. This has been Strategic Behavioral Health's experience in its numerous other hospitals.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

RESPONSE: As noted above, given the applicant's experience in other states, it is confident that financial viability will be ensured within two years and positive cash flow will develop in the second year. The applicant's financial analysis has taken into account any short-term losses that may occur during ramp-up. Strategic Behavioral Health has a corporate philosophy of patient capital investment, as evidenced by the numerous startup hospital projects it has completed over the last eight years.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

RESPONSE: The applicant plans to participate in Medicare and TennCare. It also will provide services to medically indigent patients. The applicant projects that in its first year of operations, its estimated actual revenue received from TennCare will be approximately \$1,818,300 which constitutes approximately 38% of its revenue for that year. It further projects that in its first year of operation, its estimated actual revenue received from Medicare will be \$1,305,000 which constitutes approximately 27% of its revenue for that year.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

RESPONSE: SBH-Kingsport, LLC is a new entity. Its corporate documentation is attached. The requested financial documentation for its parent company, Strategic Behavioral Health, is attached.

11. Describe alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - A. A discussion regarding the availability of less costly, most effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

RESPONSE: The applicant has reviewed the closing of psychiatric beds in the broader East Tennessee area that has gone on for a number of years, including at Indian Path Pavilion in 2009. Given that, the applicant is confident that there are no less costly, more effective, more efficient ways of providing the benefits of inpatient psychiatric beds other than by constructing a new facility. Strategic Behavioral Health has analyzed this issue in other contexts, and found that freestanding psychiatric hospitals operate on a significantly lower cost per patient day than acute hospital psychiatric units or state-run psychiatric facilities.

- B. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

RESPONSE: The applicant has no facilities in east Tennessee to modernize. It does not believe that any other providers in east Tennessee would engage in sharing arrangements with it, since it is a new provider in the area. Further, sharing facilities is not likely to occur, since there are no other freestanding psychiatric hospital facilities in its service area.

(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

RESPONSE: The applicant plans to have transfer agreements with local area hospitals, such as Wellmont Holston Valley Medical Center in Kingsport. Strategic Behavioral Health, the parent company of the applicant, reports that in every community in which it provides care, it has a history of working with all agencies and other providers to provide a collaborative process to analyze and reduce barriers to access and service delivery. In this service area, there are currently no freestanding psychiatric hospital beds, a critical component of the mental and behavioral health continuum of care.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

RESPONSE: The applicant has noted repeatedly in this application, other than the 12 inpatient geropsychiatric beds at BRMC in eastern Sullivan County, Tennessee, there are no other inpatient psychiatric beds, to the applicant's best knowledge, in this service area. Furthermore, the population of the service area, when analyzed in terms of the *Guidelines for Growth's* numerical formula, demonstrates a need for additional inpatient psychiatric beds. Therefore, the applicant does not project that its project will have significant impact on the utilization rates of any existing providers in the service area for the project. Furthermore, by offering dedicated chemical dependency and child and adolescent beds to the service area, the applicant will have a positive effect on the behavioral healthcare system in the service area.

3. Provide the current and/or anticipated staffing patterns for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

RESPONSE: The requested staffing pattern information is attached hereto.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

RESPONSE: The applicant, as a subsidiary of a successful, Tennessee-based, psychiatric hospital company, will have sufficient access to human resources required by the proposal adequate to meet the requirements of the Mental Health and Substance Abuse Services Department, or the Tennessee Department of Health, as applicable.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

RESPONSE: The applicant understands and has reviewed all licensing and certification requirements of the State of Tennessee for medical or clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

RESPONSE: The applicant is plans to participate in the training of students in the area of behavioral healthcare. It is open to collaborating with area nursing schools and other healthcare training and education providers.

7. A. Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

RESPONSE: The applicant has reviewed and understands the licensure requirements of the Tennessee Department of Mental Health and Substance Abuse Services and the Department of Health, as applicable.

- B. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: The applicant anticipates licensure from the Department of Mental Health and Substance Abuse Services.

Accreditation: The applicant intends to obtain accreditation by the Joint Commission.

- C. If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

RESPONSE: Not applicable.

- D. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

RESPONSE: Not applicable.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE: No such orders or judgments exist.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

RESPONSE: There are no such civil or criminal judgments.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

RESPONSE: If approved, the applicant will provide the Tennessee Health Services and Development Agency and any other reviewing agency with the requested information.



PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

Form HF0004
Revised 05/03/04
Previous Forms are obsolete

Legals

Legals

NOTIFICATION OF INTENT TO APPLY
FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

(Name of Applicant) N/A
(Facility Type-Existing)
owned by: SBH-Kingsport, LLC with an ownership type of limited liability company, and to be managed by: itself
intends to file an application for a Certificate of Need for: establishment of a new inpatient psychiatric hospital in Kingsport, Sullivan County, Tennessee 37660. This project will be located on unaddressed property at the end of Executive Park Boulevard in Kingsport, Tennessee. This property extends south and west of Executive Park Boulevard and East Stone Drive in Kingsport, Tennessee. This project will involve the initiation of inpatient psychiatric hospital services. The new psychiatric hospital will have 18 adult beds, 16 geropsychiatric beds, 28 child and adolescent beds, and 10 chemical dependency beds. These 72 beds will all be new beds licensed as psychiatric hospital beds. The estimated project costs for this project are projected to be approximately \$12,000,000.00.

The anticipated date of filing the application is:
December 13, 2013.

The contact person for this project is
Mike Garone Director of Development
(Contact Name) (Title)
who may be reached at: Strategic Behavioral Health, LLC
(Company Name)
8295 Tournament Drive, Suite 201
(Address)
Memphis Tennessee 38125
(City) (State) (Zip Code)
901/989-3100
(Area Code / Phone Number)

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file a written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

PUR 12/10/13

Legals

Legals

SUBSTITUTE TRUSTEE'S SALE

Sale at public auction will be on January 16, 2014 at 10:00AM local time, at the main door, Sullivan County Courthouse, 140 Blountville Bypass, Blountville, Tennessee, conducted by Shapiro, Kirsch, LLP Substitute Trustee, pursuant to Deed of Title executed by Tony Wayland Vines, unmarried, to Lenders Title Escrow, LLC, Trustee, on October 29, 2004 at Book 2181C, Page 702; all of record in the Sullivan County Register's Office.

Party entitled to enforce security interest: PNC Bank, National Association, its successors and assigns

The following real estate located in Sullivan County, Tennessee, will be sold to the highest call bidder subject to all unpaid taxes, prior liens and encumbrances of record:

SITUATE in the 11th Civil District of Sullivan County, Tennessee, to-wit:

LOT 13, BLOCK 61 (erroneously stated as Block 61 in prior deed), CITY OF KINGSFORT, as shown on map of record in the Register's Office for Sullivan County at Blountville, Tennessee, in Deed Book 107, at Page 408; and being the same property conveyed to Tony Wayland Vines from Everette R. Collins and Sherry G. Crawford by deed dated October 29, 2004 of record in the Register's Office for Sullivan County at Blountville, Tennessee in Deed 2181C, Page 700, Street Address: 729 Boone Street, Kingsport, Tennessee 37660

Parcel Number: 046J-K-024.00
Current Owner(s) of Property: Tony Wayland Vines
Other interested parties: Lenders Title & Escrow LLC and First Franklin Financial, a division of National City Bank of Indiana
The street address of the above described property is believed to be 729 Boone Street, Kingsport, Tennessee 37660, but such address is not part of the legal description of the property herein and in the event of any discrepancy between the legal description and the address, the legal description shall control.

410 Garage & Yard Sales

****HAVING A****
GARAGE SALE?
Let people know by placing an ad in the Kingsport Times-News Classifieds.

TimesNews
Place your ad online
www.timesnews.net/classifieds or call
423-392-1311
for more information.



Take our
Garage Sale
Map
on your
Mobile
Device.
Scan the QR
Code
or go to
ishopthetrmaps.com

421 Clothing

WOMEN'S 3X Burgundy Leather Jacket. Also, 3X name brand jeans. All new.
423-747-7141

430 Household & Antiques

Dining room set, 6 chairs, table w/leaf, china cabinet. Antique claw foot bathtub.
423-247-8330

431 Furnishings

!!! \$200 19" Thick Full Size Pillowtop Mattress SET. Never used. Still in factory sealed plastic. 423-785-8014

!!! \$225 19" Thick Queen Size Pillowtop Mattress SET. Never Used. Still in factory sealed plastic. 423-785-8014

!!! \$80 Full Size Mattress SET. Never Used. Still in Factory Sealed Plastic. Call 423-785-8014.

!!! \$90 Queen Size Mattress SET. Never Used. Still in Factory Sealed Plastic. Call 423-785-8014

KING Pillow top Mattress set Never used. Still in factory sealed plastic. \$260
423-785-8014

ROLL TOP DESK
Very good condition
dark oak finish \$250
423-247-4368

Legals

431 Furnishings

MATTRESS
STORE CLOSING
SELLING DUE TO HEALTH
BUY AT DEALER COST
Remaining Inventory
consists of
Queen Mattress Sets Only!
Open by Appointment Only!
phone (423) 367-4478
For Details
Johnson City

440 Computers & TV's

TOSHIBA 47" LED, full 1080p 3D, smart HD TV
\$575 OBO 7 mos. old
423-867-3081

XBOX ONE OR
PLAYSTATION 4!
SOLD OUT EVERYWHERE!
Brand New in Box. Factory
Sealed. Ready to Pickup
Now! No Waiting! \$650 Cash
/Credit Card. Call or Text
423-791-2576.

470 Building Materials

LIQUIDATION
EVERYTHING GOES.
All windows & doors 50% off
835 W. Sullivan St.
423-612-6602

490 Sports Equipment

ALUM. TACKLE BOX,
with 3 trays 70 Bass plugs.
Most never used. \$300
423-239-3056

GUN SHOW

DEC 14-15
SAT 9-5 & SUN 9-4
KNOXVILLE
EXPO CENTER
(5441 CLINTON HWY)
EXIT 108 OFF I-75n
BUY-SELL-TRADE
INFO: (563) 827-8176

HORIZON Series Evolve
Treadmill, would make an
excellent gift, no more than
3 hrs used, \$300 245-2540

510 Bicycles

BICYCLE, Trek 820
Mountain Track 21" \$150
423-480-9181

520 Boats & Marine Equipment

CLOSEOUT selling at dealers
cost, South Bay 2013 Pontoon
524CR, 115 hp Mercury, Lake-
view Marina 423-323-1054

PONTOON - 1985 Riviera
Cruiser 24 ft, hard top, 2001
Tandem axle trailer 70 hp
Johnson motor, needs work,
good winter project, asking
\$3,000. 423-418-5708

540 Musical Merchandise

AN older VIOLIN made in
german very nice, ready to
play in orchestra, case & bow
included. \$750 OBO
local 785-9024

GUITAR - Fender Labrea
Acoustic w/built-in pick-up.
Black w/white pin stripe
\$450 423-747-7141

KING Silver Flare Trumpet,
like new, case and mouth-
piece included. w/ thumb
trigger & finger. 423-863-
1666 \$575 OBO

Legals

550

FIREWOOD
hardwood Oak
load, delivered
276-2

SEAROM

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): 3/26/14

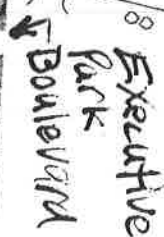
Assuming the CON approval becomes the final agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	0	3/26/14
2. Construction documents approved by the Tennessee Department of Health	214	10/26/14
3. Construction contract signed	61	5/26/14
4. Building permit secured	153	8/26/14
5. Site preparation completed	214	10/26/14
6. Building construction commenced	220	11/1/14
7. Construction 40% complete	371	4/1/15
8. Construction 80% complete	524	9/1/15
9. Construction 100% complete (approved for occupancy)	585	11/1/15
10. *Issuance of license	599	11/15/15
11. *Initiation of service	600	11/16/15
12. Final Architectural Certification of Payment	615	12/1/15
13. Final Project Report Form (HF0055)	629	12/15/15

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

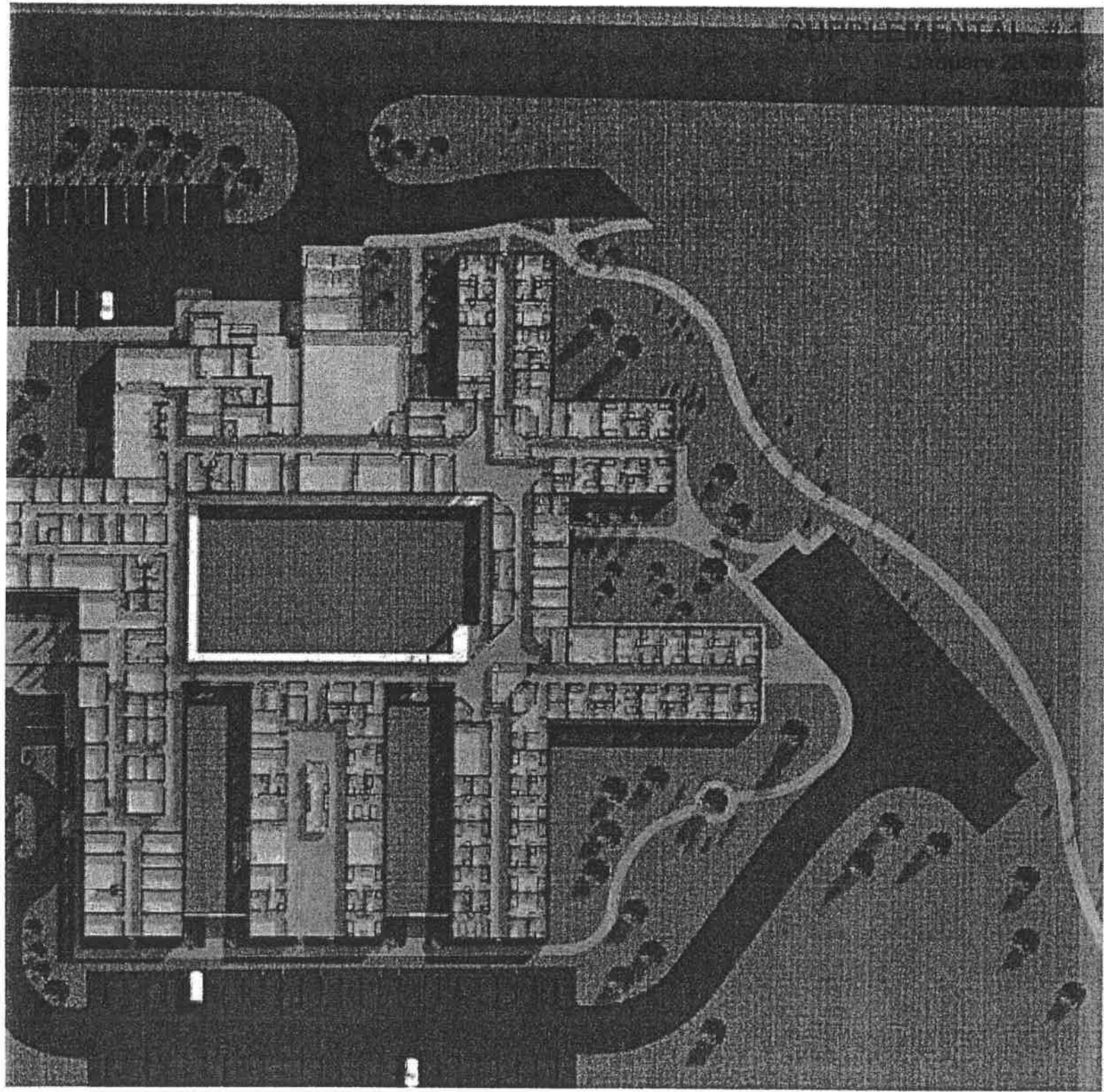
Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

B.III.A. - Plot Plan



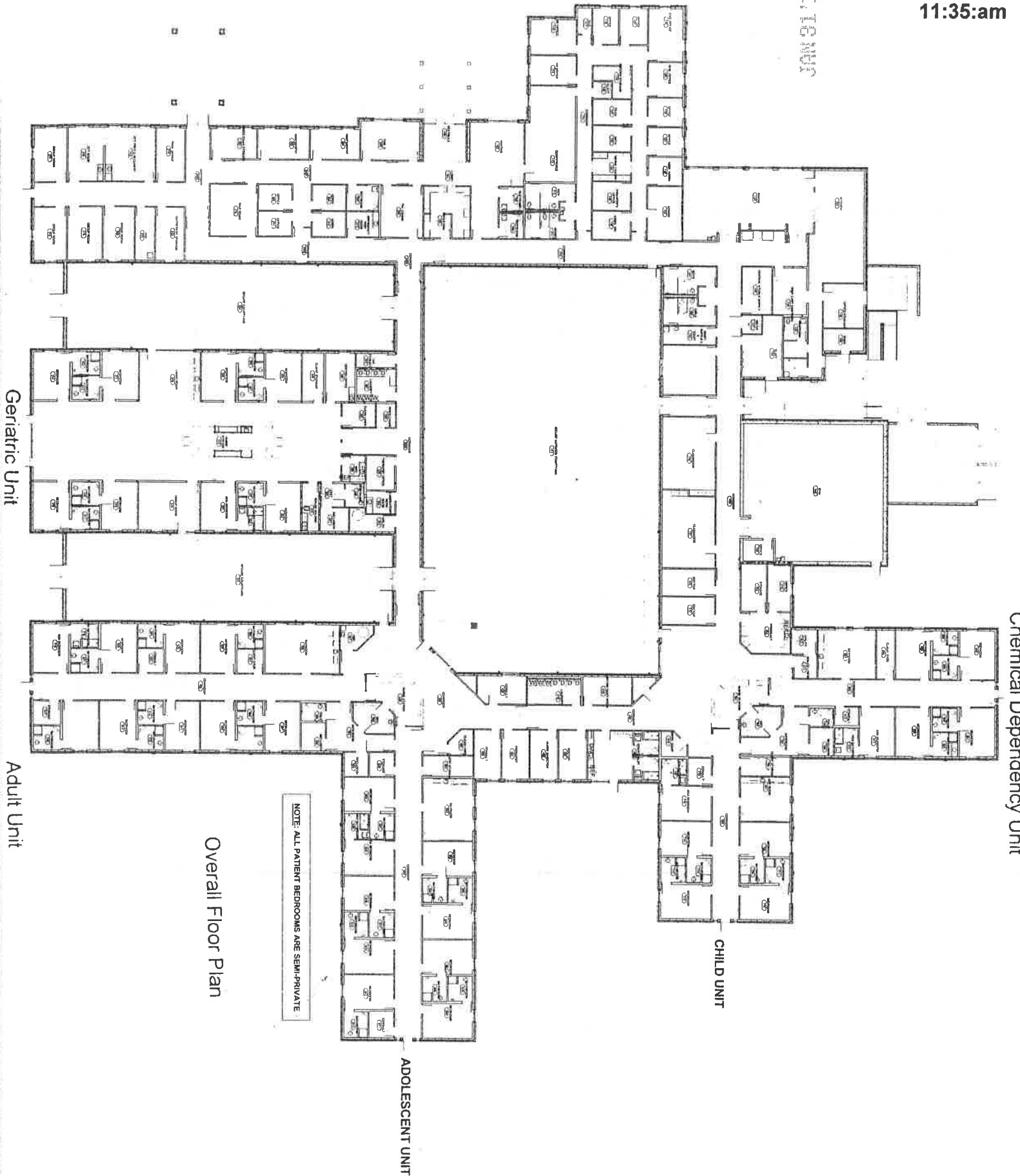
12. 12. 5.

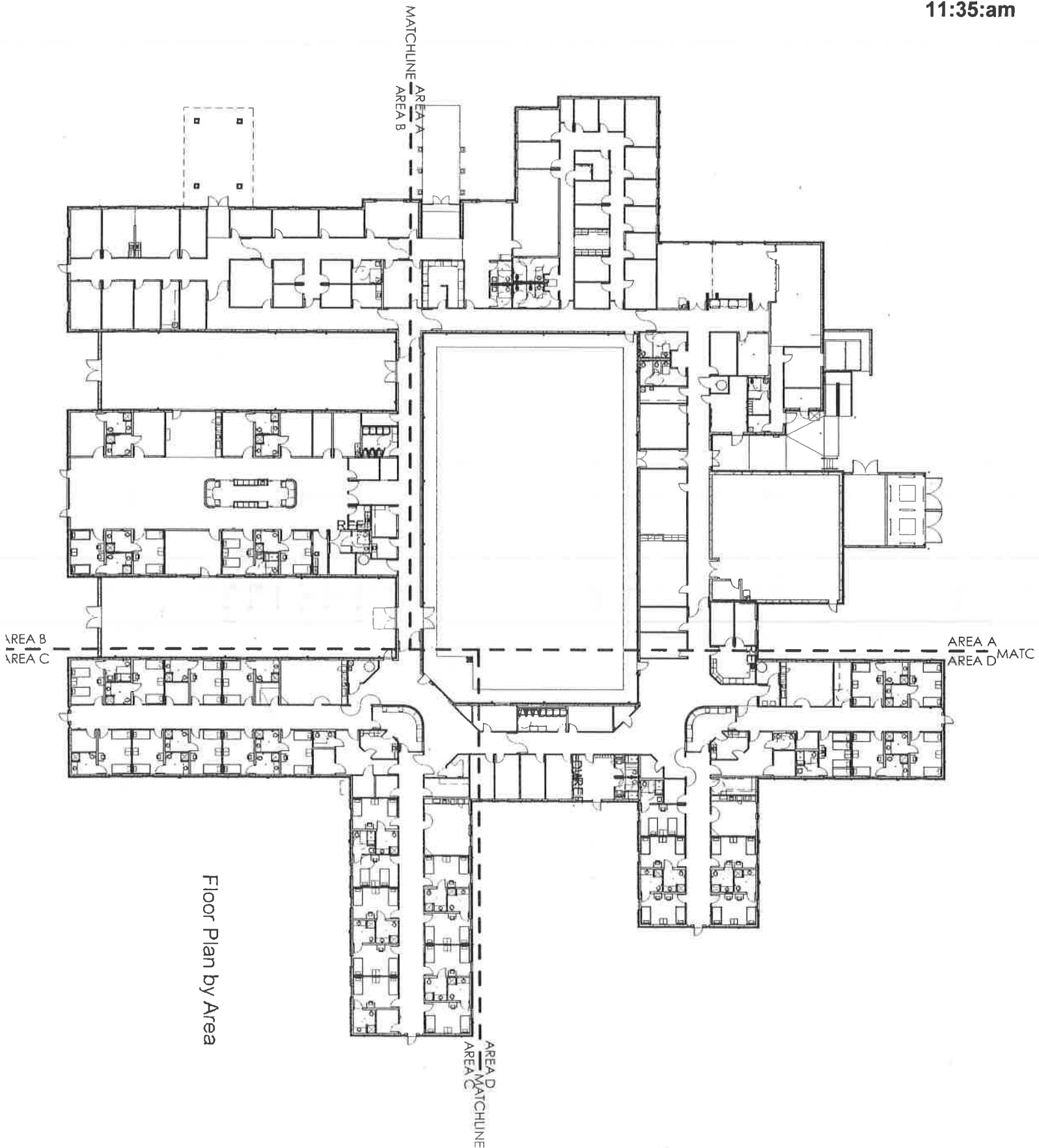
[Faint, illegible markings]



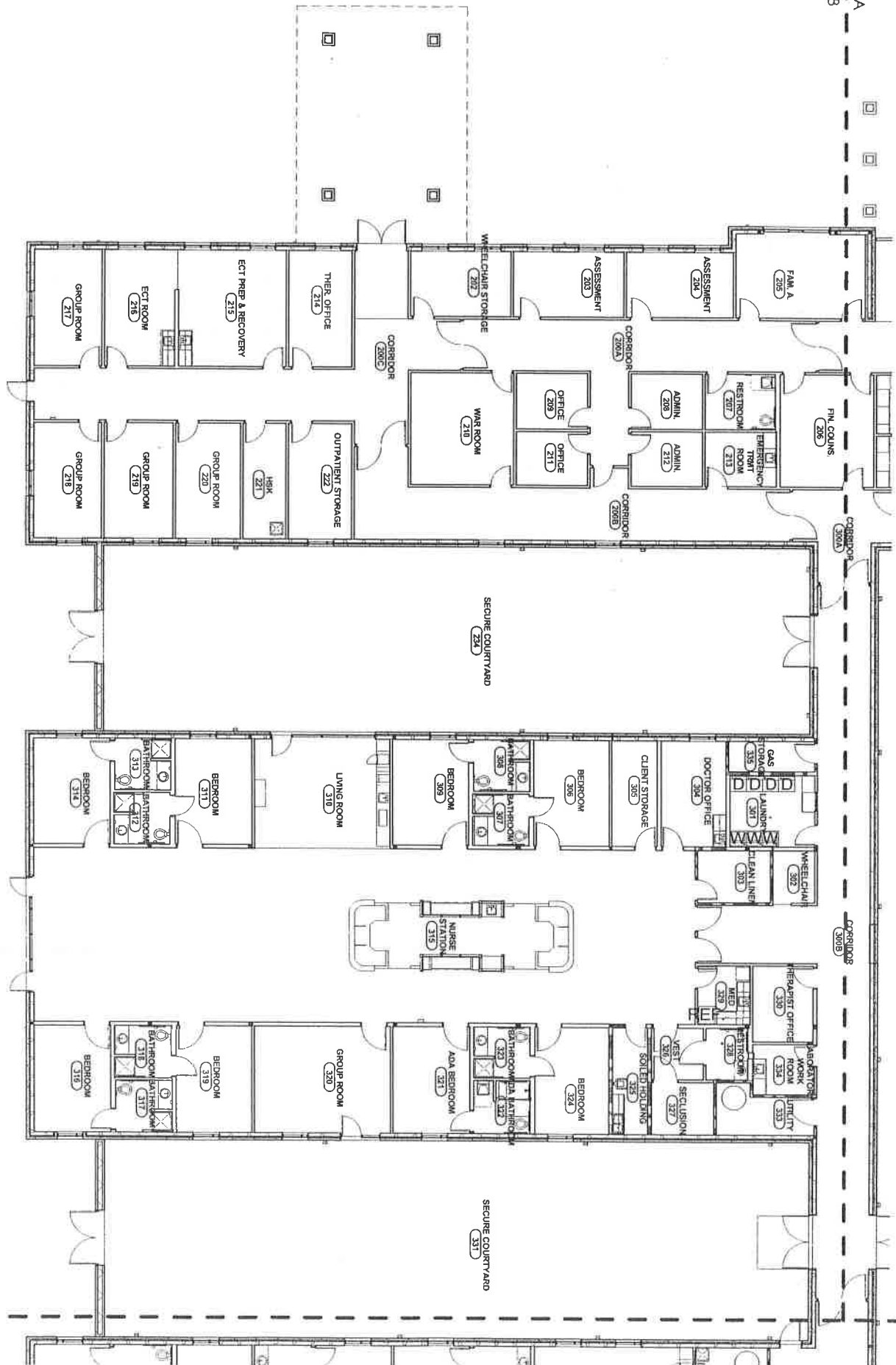
B.IV. - Floor Plan

3271471.P0004





MATCHLINE
AREA A
AREA B



GERIATRIC UNIT

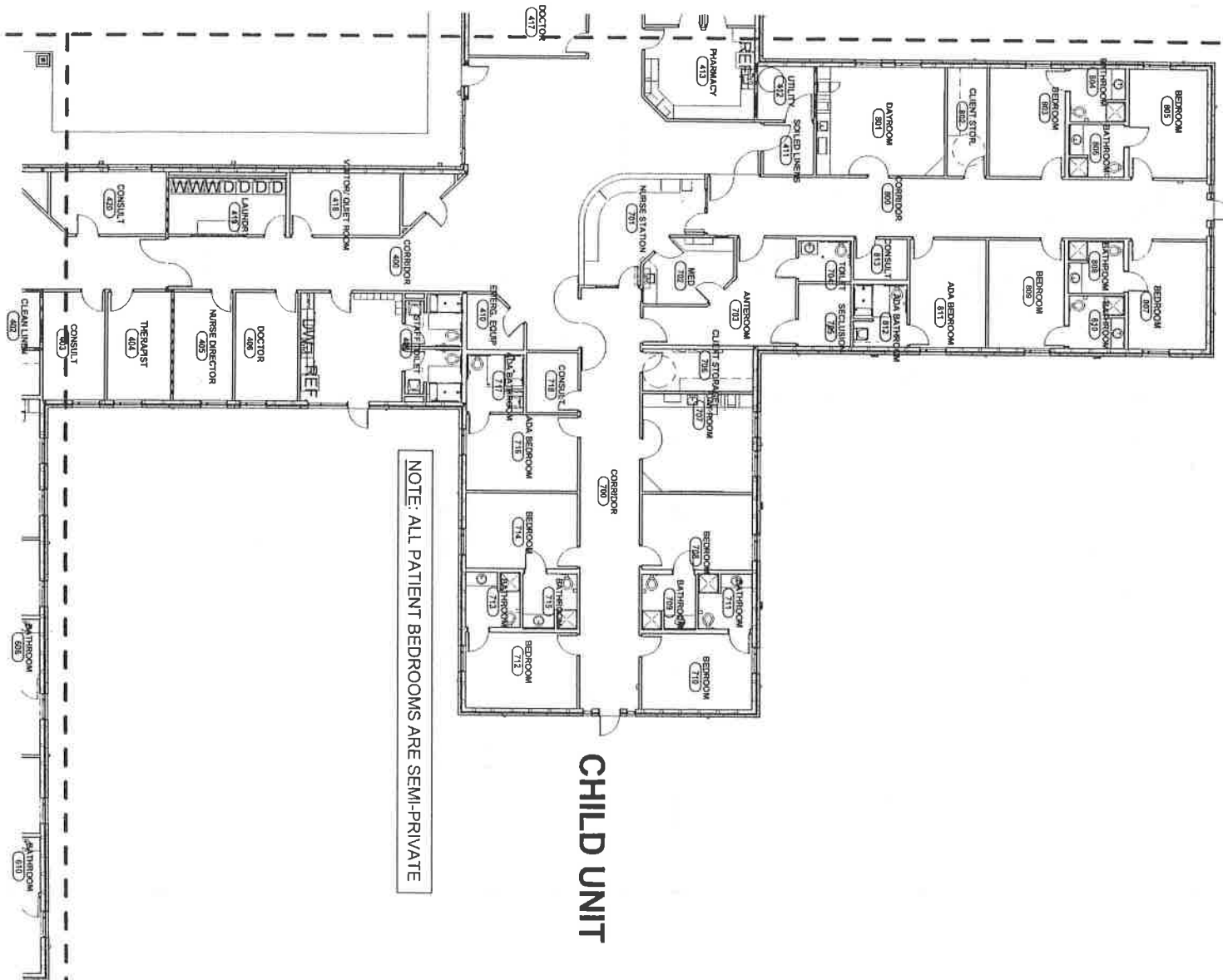
NOTE: ALL PATIENT BEDROOMS ARE SEMI-PRIVATE

MATCHLINE
AREA B
AREA C



AREA
AREA

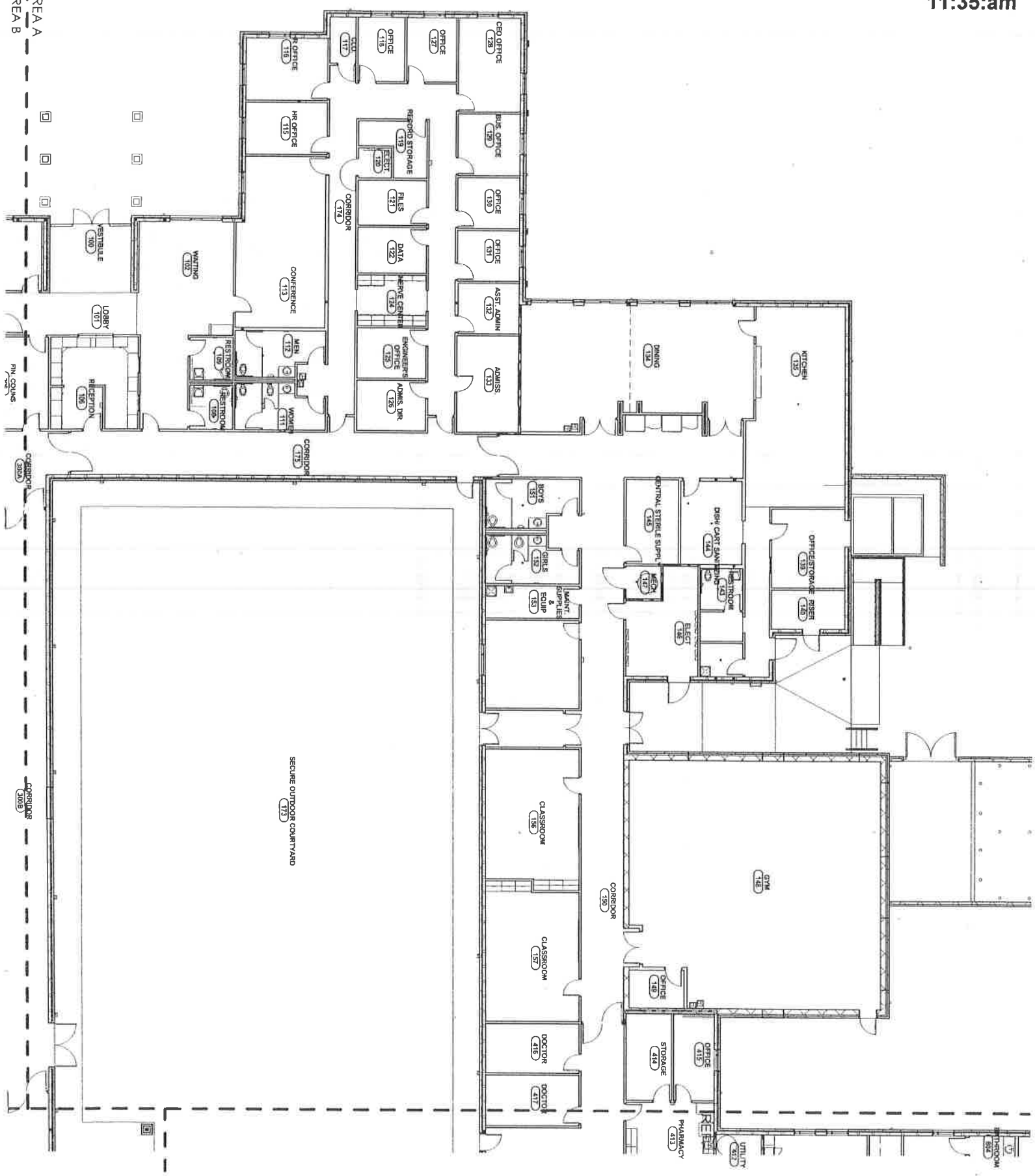
CHEMICAL
DEPENDENCY UNIT

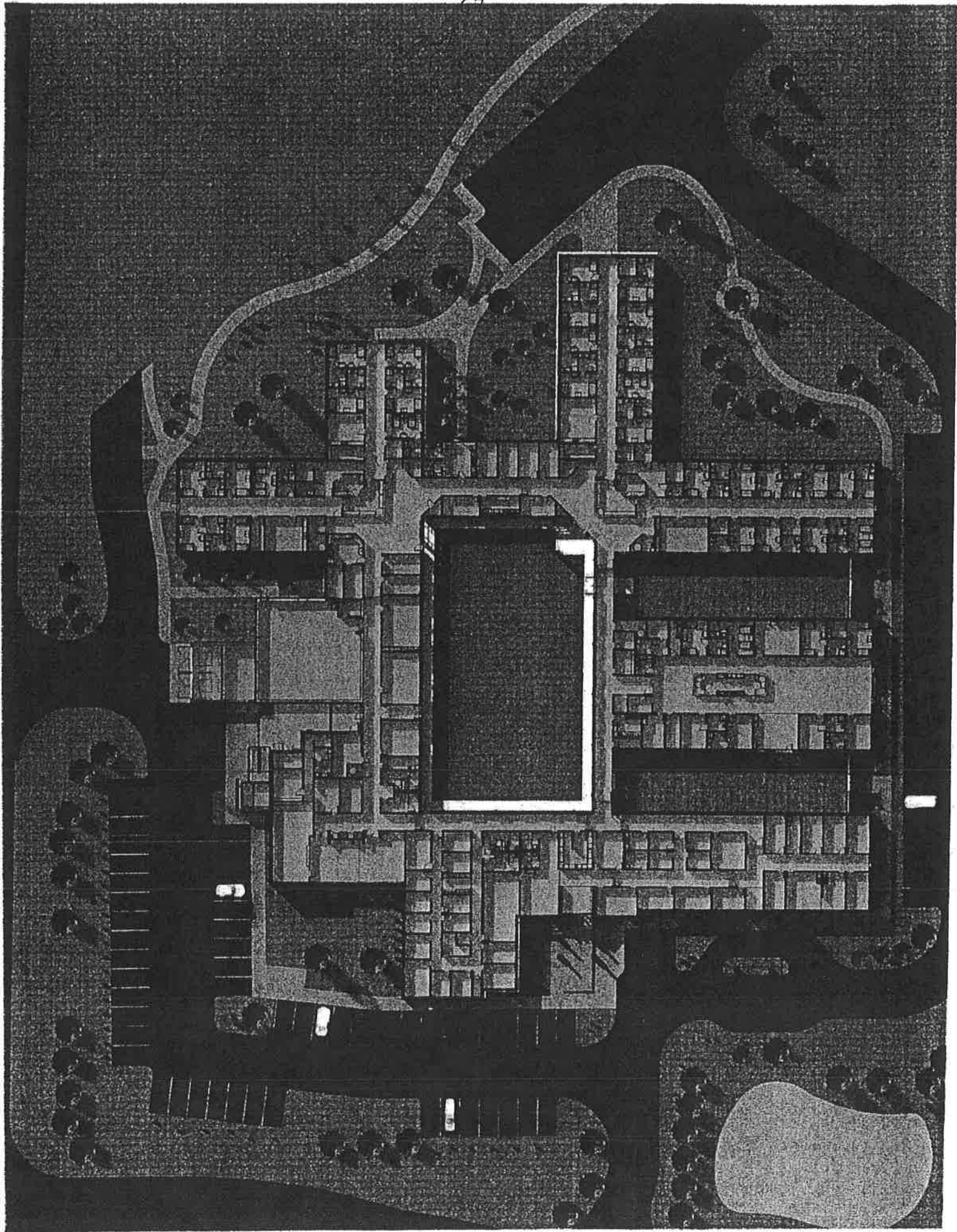


CHILD UNIT

NOTE: ALL PATIENT BEDROOMS ARE SEMI-PRIVATE

AREA
AREA





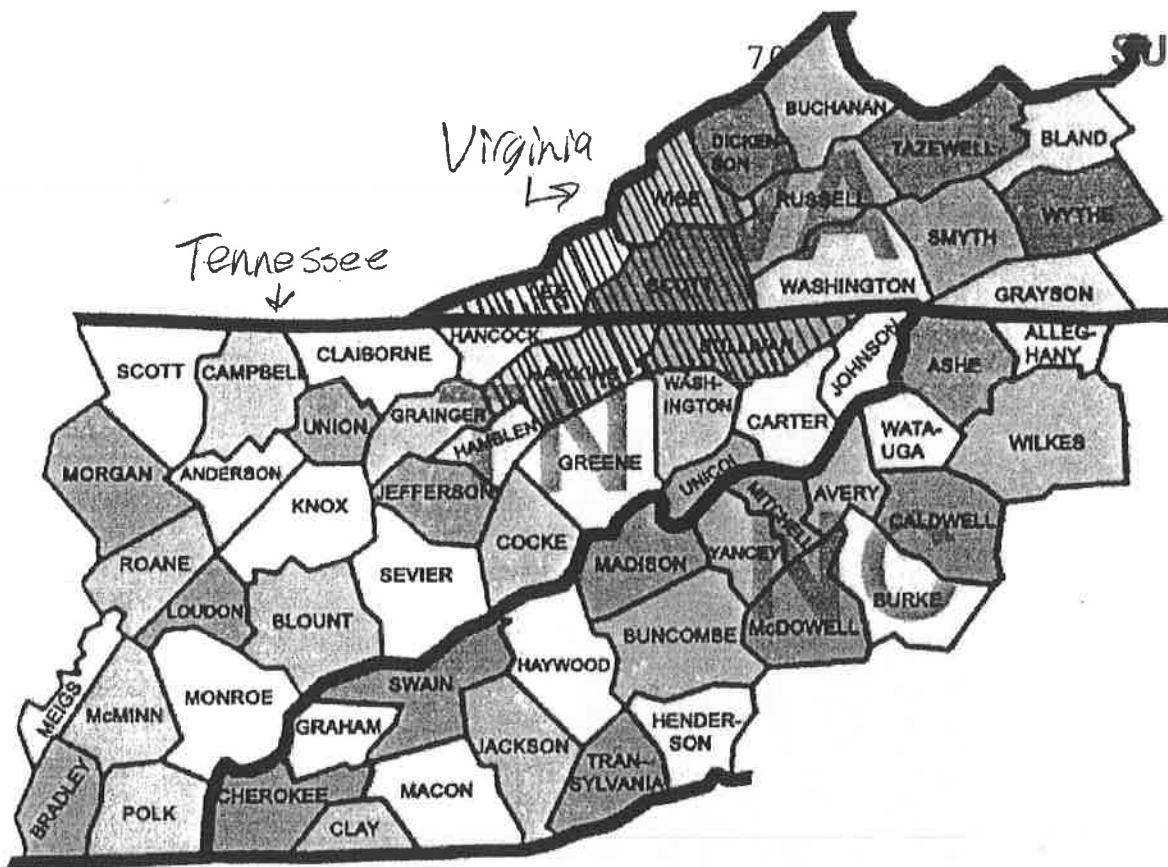
C.3. - Service Area Map



SUPPLEMENTAL- # 1

January 29, 2014

3:10pm



C. Economic Feasibility 1. - Construction Documentation



December 10, 2013

Chris Reid
Thomas Construction Group
1111 Military Cutoff Road, Suite 191
Wilmington, NC 28405

RE: Strategic Behavioral Health Facility – Kingsport, TN

ARCHITECTURE

Dear Chris:

INTERIOR
ARCHITECTURE

PLANNING

The design of the new psychiatric treatment facility for Strategic Behavioral Health located in Kingsport, Tennessee will meet applicable building codes and design standards set forth by the City of Kingsport and the Tennessee Department of Health, Division of Health Care Facilities.

The following building codes are enforced in the City of Kingsport:

2006 International Building Code
2006 International Mechanical Code
2006 International Energy Conservation Code
2005 National Electrical Code
2002 North Carolina Handicap Code with 2004 Amendments
City of Kingsport Zoning Ordinance

CHARLESTON

COLUMBIA

GREENVILLE

CHARLOTTE

RALEIGH

WILMINGTON

The Tennessee Department of Health, Division of Health Care Facilities enforces the following rules and regulations:

2006 International Building Code
2006 International Plumbing Code
2006 International Mechanical Code
2006 International Gas Code
2006 NFPA 1, excluding NFPA 5000
2006 NFPA 101 Life Safety Code
2005 National Electrical Code
2002 North Carolina Accessibility Code with 2004 Amendments
2010 Americans with Disabilities Act (ADA)
2010 AIA Guidelines for Design and Construction of Health Care Facilities
2007 ASHRAE Handbook of Fundamentals

If you need any additional information, please let me know.

Sincerely,

David E. Benham, AIA
Principal



December 9, 2013

Mr. Jim Shaheen
Strategic Behavioral Health
8295 Tournament Drive, Suite 201
Memphis, TN 38125

Re: Strategic Behavioral Health Facility – Kingsport, Tennessee

Dear Jim:

As your construction partner, Thomas Construction Group has extensive experience building your behavioral health centers over the past 5 years. We are currently constructing projects for SBH in Las Vegas, Nevada, and College Station, Texas.

We have reviewed the preliminary information prepared by LS3P for the proposed Kingsport, TN project, and the "Project Costs Chart" contained in the Certificate of Need application for the above referenced project, specifically Part A ("Construction and Equipment acquired by Purchase"). Based upon the information provided to us, the amounts set forth in Part A of the "Project Costs Chart" (attached) appear appropriate at today's costs.

Sincerely,

THOMAS CONSTRUCTION GROUP

A handwritten signature in black ink, appearing to read 'Chris Reid', is written over the company name.

Christopher N. Reid
President

CNR/js

cc: Mike Garone, SBH

Building on a Strong Foundation

1111 Military Cutoff Road · Suite 191 · Wilmington, NC 28405

(O) 910.799.2295 · (F) 910.799.2072

www.thomasconstructiongroup.com

C. Economic Feasibility 2. - Finance Letter

January 29, 2014

3:10pm



STRATEGIC
BEHAVIORAL HEALTH, LLC

December 11, 2013

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Ninth Floor
500 Deaderick Street
Nashville, TN 37243

RE: SBH – Kingsport, LLC Psychiatric Hospital Project

Dear Ms Hill:

The Kingsport, LLC Hospital project will be funded by a combination of cash, accumulated earnings from operations and availability under our revolving line of credit. As of November 30, 2013 Strategic Behavioral Health, LLC (parent company of SBH – Kingsport, LLC) had \$4.1 million in cash balances and \$6.7 million available under its \$15.5 million revolving credit facility syndicated through Fifth Third Bank.

The current borrowing rate under this credit facility is LIBOR plus 3.50% and the facility matures on May 20, 2018.

The combination of cash, availability under the credit facility and net cash flows from existing operations are more than sufficient to provide the funding required for SBH – Kingsport, LLC Psychiatric Hospital Project.

Please feel free to call me if you have any questions regarding this letter or if you need any additional information.

Sincerely,

Michael A. Orians
Vice President, Treasurer
Strategic Behavioral Health, LLC

January 29, 2014

3:10pm



December 12, 2013

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Ninth Floor
500 Deaderick Street
Nashville, TN 37243

RE: SBH – Kingsport, LLC Psychiatric Hospital Project (the “Project”)

Dear Ms Hill:

Fifth Third Bank, as Agent for Strategic Behavioral Health, LLC (“SBH”), and its affiliates including SBH – Kingsport, LLC, recently expanded its credit facility and entered into an \$80 million dollar syndicated credit facility in May 2013. Under the new credit facility, SBH has a \$15.5 million revolving credit loan available to fund, among other things, future development projects such as this Project.

This letter is to provide assurance that Fifth Third Bank is familiar with the Project being proposed for CON approval to better serve Kingsport and the surrounding communities.

Fifth Third Bank has a high degree of interest in financing the proposed Project. The Bank anticipates providing both construction and permanent financing for the Project through its revolver. It is the understanding of the Bank that the overall Project and financing request will not exceed \$12,000,000.

The interest rate on the loan would be based on LIBOR plus an applicable spread. The current variable rate on the loan is approximately 3.75%.

Please feel free to call or email me directly if you have any questions regarding this letter or if you need any additional information. We very much look forward to working with you and SBH on the financing and completion of this Project.

Sincerely,

Stephen C. Taylor
Assistant Vice President
Fifth Third Bank – Healthcare Division
Phone: 615.687.3003
Email: stephen.taylorjr@53.com

**C. Economic Feasibility 10. - Balance Sheet and
Income Statement**

CONFIDENTIAL

STRATEGIC BEHAVIORAL HEALTH, LLC AND SUBSIDIARIES
Consolidated Statements of Assets, Liabilities and Members' Equity -
Modified Cash Basis
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,820,508	\$ 4,103,586
Accounts receivable, net of allowance for doubtful accounts of \$915,540 at 2012 and \$264,197 at 2011	8,195,262	1,668,921
Inventories	67,931	26,138
Prepaid expenses	741,435	324,626
Total current assets	11,825,136	6,123,271
Property and equipment	48,843,897	31,722,773
Less accumulated depreciation	(2,181,981)	(985,673)
Property and equipment, net	46,661,916	30,737,100
Deposit on acquisition	-	32,063,791
Goodwill	28,616,112	-
Other assets, net	1,080,521	723,794
Total other assets	29,696,633	32,787,585
Total assets	\$ 88,183,685	\$ 69,647,956
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 1,703,039	\$ 1,334,616
Accounts payable	923,373	930,106
Accrued expenses	3,272,283	1,216,459
Accrued distributions to members	439,396	531,111
Total current liabilities	6,338,091	4,012,292
Long-term debt, less current maturities	40,739,559	34,481,765
Total liabilities	47,077,650	38,494,057
Members' equity		
Members' contributions	36,915,034	31,915,034
Note receivable for members' contributions	(71,616)	(76,616)
Accumulated earnings (deficit)	4,262,617	(684,519)
Total members' equity	41,106,035	31,153,899
Total liabilities and members' equity	\$ 88,183,685	\$ 69,647,956

See accompanying notes.

CONFIDENTIAL**STRATEGIC BEHAVIORAL HEALTH, LLC AND SUBSIDIARIES****Consolidated Statements of Revenues and Expenses -****Modified Cash Basis****Years Ended December 31, 2012 and 2011**

	2012	2011
Revenues		
Patient service revenue (net of contractual allowances and discounts)	\$ 50,630,683	\$ 19,290,243
Provision for bad debts	(748,305)	(404,798)
Net patient service revenue less provisions for bad debts	49,882,378	18,885,445
Expenses		
Salaries and benefits	28,084,047	9,835,300
Professional fees	3,204,772	1,154,667
Supplies	2,632,128	893,950
Management and incentive fees	1,030,560	532,895
Depreciation and amortization	1,211,918	345,972
Rent	880,575	294,540
Utilities	900,441	231,381
Insurance	409,614	138,293
Interest	1,604,292	410,697
Acquisition costs	51,263	610,448
Other expenses	2,640,170	749,981
Total expenses	42,649,780	15,198,124
Excess of revenues over expenses - modified cash basis	\$ 7,232,598	\$ 3,687,321

See accompanying notes.

**C. Contribution to the Orderly Development of Health
Care 3 - Current and/or Anticipated Staffing Patterns**

BUILD YEAR

YEAR 2

Clinical		Clinical	
	rate		rate
day	\$10.00 Techs	day	\$10.00 Techs
even	\$11.00 Techs	even	\$11.00 Techs
night	\$12.00 Techs	night	\$12.00 Techs
day	\$10.00 Techs	day	\$10.00 Techs
even	\$11.00 Techs	even	\$11.00 Techs
night	\$12.00 Techs	night	\$12.00 Techs
day	\$10.00 Techs	day	\$10.00 Techs
even	\$11.00 Techs	even	\$11.00 Techs
night	\$12.00 Techs	night	\$12.00 Techs
addon	\$45.00 Clinical Dir	day	\$10.00 Techs
	\$35.00 Program Dir	even	\$11.00 Techs
day	\$25.00 R.N.'s/U.M.	night	\$12.00 Techs
even	\$27.00 R.N.'s/U.M.		
night	\$30.00 R.N.'s/U.M.	addon	\$45.00 Clinical Dir
			\$35.00 Program Dir
day	\$18.00 L.V.N.		
even	\$18.00 L.V.N.	day	\$25.00 R.N.'s/U.M.
night	\$18.00 L.V.N.	even	\$27.00 R.N.'s/U.M.
day	\$25.00 Therapist	night	\$30.00 R.N.'s/U.M.
day	\$25.00 Therapist		
day	\$25.00 Therapist	day	\$25.00 R.N.'s/U.M.
day/even	\$25.00 Therapist	even	\$27.00 R.N.'s/U.M.
day/even	\$25.00 Therapist	night	\$30.00 R.N.'s/U.M.
day	\$18.00 RT		
day	\$18.00	day	\$25.00 R.N.'s/U.M.
		even	\$27.00 R.N.'s/U.M.
day	\$0.00 Teachers	night	\$30.00 R.N.'s/U.M.
		day	\$25.00 R.N.'s/U.M.
		even	\$27.00 R.N.'s/U.M.

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day	\$0.00	Teachers	0.0
day	\$0.00	Teachers	0.0
		Totals	<u>16.6</u>

Non-Clinical		rate	FTE's
day	\$72.12	Admin	1.0
day	\$20.00	Admin Sec	1.0
day	\$30.00	BOM	1.0
day	\$17.50	BO Clerks	1.0
day	\$25.00	med rec supr	1.0
day	\$24.00	Marketing	2.0
day	\$10.00	Recept	2.8
day	\$40.00	Nurse Admin	1.0
day	\$12.00	Dietary	4.0
day	\$30.00	Utilization Rev	1.0
day	\$24.00	Admissions	3.0
	\$0.00		
day	\$20.00	HR	1.0
day	\$30.00	QA/infrctr	1.0
day	\$15.00	Maint	1.0
			<u>21.8</u>

night	\$30.00	R.N.'s/U.M.	1.4
day	\$18.00	L.V.N.	1.4
even	\$18.00	L.V.N.	1.4
night	\$18.00	L.V.N.	1.4
day	\$18.00	L.V.N.	1.4
even	\$18.00	L.V.N.	1.4
night	\$18.00	L.V.N.	1.4
day	\$18.00	L.V.N.	2.0
even	\$18.00	L.V.N.	1.4
night	\$18.00	L.V.N.	1.4
day	\$25.00	Therapist	1.0
day	\$25.00	Therapist	1.0
day	\$25.00	Therapist	1.0
day/even	\$25.00	Therapist	1.0
day/even	\$25.00	Therapist	0.0
day	\$18.00	RT	1.0
day	\$18.00	RT	1.0
day	\$15.00	Teachers	0.0
day	\$15.00	Teachers	0.0
day	\$0.00	Teachers	0.0
		Totals	<u>52.0</u>

Non-Clinical		rate	FTE's
day	\$72.12	Admin	1.0

AFFIDAVITSTATE OF TennesseeCOUNTY OF Shelby

Michael Garone being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Michael Garone / DIRECTOR OF
SIGNATURE/TITLE DEVELOPMENT

Sworn to and subscribed before me this 12 day of December 2013 a Notary
(Month) (Year)

Public in and for the County/State of Shelby

Renee E. Klein
NOTARY PUBLIC

My commission expires Oct. 9 2016
(Month/Day) (Year)



MY COMMISSION EXPIRES:
October 9, 2016

COPY- SUPPLEMENTAL-1

SBH-Kingsport, LLC

CN1312-050

January 29, 2014

3:10pm

January 28, 2014

Mr. Phillip M. Earhart
Health Planner III
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Via Hand Delivery

Re: Certificate of Need Application CN1312-050
SBH-Kingsport, LLC

Dear Mr. Earhart:

Set forth below are the responses of SBH-Kingsport, LLC, the applicant in Certificate of Need Application CN1312-050 to the request for information dated December 20, 2013. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

1. Section A, Applicant Profile, Item 6

The Purchase and Sale Agreement is noted. Please provide a clearer and legible copy of Exhibit A of the document.

RESPONSE: The requested documentation is attached hereto.

2. Section A, Applicant Profile, Item 13

Please identify all TennCare MCOs in the applicant's service area and the TennCare MCOs with which the applicant intends to contract.

RESPONSE: The applicant expects to contract with BlueCare, TennCare Select and United Healthcare Community Plan.

3. Section B, Project Description, Item 1

Your response is noted. Please provide an executive summary not to exceed two (2) pages. Please list the following areas as headers and address each area under the header: proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

RESPONSE:

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Proposed Services and Equipment:

SBH-Kingsport, LLC ("SBH") proposes to establish a 72-bed, free-standing psychiatric hospital located in Kingsport, Sullivan County, Tennessee. It is requesting CON permission to construct 18 adult psychiatric beds, 16 geropsychiatric beds, 28 child and adolescent psychiatric beds, and 10 chemical dependency beds for a total of 72 beds.

Ownership Structure:

SBH will be owned and operated by a limited liability company, SBH-Kingsport, LLC. This limited liability company is a wholly-owned subsidiary of Strategic Behavioral Health, LLC, which is an inpatient psychiatric hospital company based in Memphis, Tennessee. It currently operates seven psychiatric hospitals through subsidiaries in the states of Colorado, Nevada, New Mexico and North Carolina. It has another facility under development in College Station, Texas. SBH will be its first hospital based in its home state of Tennessee.

Service Area:

The service area for SBH is projected to be the counties of Sullivan and Hawkins in Tennessee, and the counties of Wise, Scott and Lee in southwestern Virginia.

Need:

Currently, in this service area there are only twelve inpatient psychiatric beds, located at Bristol Regional Medical Center in Bristol, Tennessee, at the eastern end of the service area. Thus, as far as the applicant is able to ascertain, in its proposed service area, which has a population of more than 300,000 people, there are only 12 inpatient psychiatric beds (located in Bristol). Thus, there is a significant need for additional inpatient psychiatric bed resources in this service area, particularly as it pertains to children and adolescents. Sullivan County is the most populous county in upper East Tennessee, and Kingsport is the biggest municipality in the service area.

Existing Resources:

There are no other free-standing inpatient psychiatric hospitals within the service area. There are only twelve inpatient psychiatric beds in this service area, located at Bristol Regional Medical Center in Bristol, Tennessee.

Project Cost:

The projected project costs for this hospital development are approximately \$12,000,000.

Funding:

The funding for this project will be developed with the assistance of Dobbs Management Services, LLC, the owners of which represent the majority ownership of Strategic Behavioral

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Health, LLC. The proposed project will be funded through cash, a credit line with Fifth Third Bank and net cash flows from existing operations.

Financial Feasibility:

As of December 31, 2012, SBH itself had consolidated annual net revenue of approximately \$50.7 million and employed approximately 745 employees. Thus, Strategic Behavioral Health, LLC, the parent company of SBH-Kingsport, LLC, is a well-capitalized, financially successful psychiatric hospital development and management company.

Staffing:

Strategic Behavioral Health expects no difficulty in attracting staff to the proposed new hospital. There are several teaching institutions within Strategic Behavioral Health's service area. These colleges and universities offer programs in nursing, counseling & human services, psychology, psychiatry and many offer programs in medical practice management, medical billing, and other healthcare service related fields. Graduates of these colleges and universities will have an opportunity to work at Strategic Behavioral Health's Kingsport facility.

Strategic Behavioral Health also has prior experience building and staffing new hospitals across the United States. The company uses an employee search service should it become necessary to look outside the service area for employees, and Strategic Behavioral Health has found no difficulty staffing its hospitals in smaller markets like Wilmington, North Carolina and College Station, Texas. Strategic Behavioral Health will be able to attract qualified, well-trained professionals who will live and work in the service area.

Please describe the classes and curriculum that is part of the proposed project.

RESPONSE:

Clinical Program Description

The Strategic Behavioral Health (SBH) philosophy of care is based upon a therapeutic model. All clinical disciplines work together to produce positive outcomes. Using the CORE (Clinical Outcomes in Routine Evaluation) we consistently reevaluate our acute care outcomes and strive to improve our programming through research.

Fundamentals of treatment include being good community partners where comprehensive care starts with the first referral call to follow-up care post discharge. Clinical services begin with an initial no cost assessment. Upon admission, a psychiatrist conducts an initial psychiatric assessment within 24 hours along with a therapist treatment plan meeting. A family therapy session is required within 72 hours. Throughout treatment, safety is paramount and supported by around the clock 15 minute safety checks by direct care staff. Discharge planning includes a safety plan with follow-up appointments or step-down level of care assignment.

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We offer several specialty programs for all ages. Each program is individualized to meet the cultural and strength based needs taking into special consideration multiple factors such as acuity, age, gender, development, and family support. We believe that family involvement, when possible, is the foundation for care. All programming includes individual, process and psychoeducation groups, and family therapy. Below is a summary of our programs.

Child & Adolescent:

- *Character Counts:* Psychoeducation program developed by the Josephson Institute Center for Youth Ethics incorporated into the daily routine to emphasize elements of good character.
- *Trauma-Focused Cognitive-Behavioral Therapy:* TF-CBT is the most well-supported and effective treatment for children who have been abused and traumatized. Multiple clinical research studies consistently have found it to help children with PTSD and other trauma-related problems.
- *Level System:* Reward based system to promote positive development based on General Behaviors (GB) and Target Goals (TG). General behavior is defined as following the rules of the facility and staying focused on the posted values and demonstrating appropriate behaviors. Target goal points are earned when the patient is working toward the goal he or she chose from his or her individual treatment plan that morning.
- *The Seven Challenges Program:* Designed specifically for adolescents with drug problems, to motivate a decision and commitment to change - and to support success in implementing the desired changes. The Program simultaneously helps young people address their drug problems as well as their co-occurring life skill deficits, situational problems, and psychological problems.
- *Clear Path:* Specialized treatment for sexual offenders in a residential setting.

Adult & Geriatric:

- *Illness Management & Recovery Model:* Illness management is an evidence based treatment from SAMHSA with a broad set of strategies designed to help individuals with serious mental illness collaborate with professionals, reduce their susceptibility to the illness, and cope effectively with their symptoms. Research on illness management for persons with severe mental illness, including 40 randomized controlled studies, indicates that psychoeducation improves people's knowledge of mental illness; that behavioral tailoring helps people take medication as prescribed; that relapse prevention programs reduce symptom relapses and re-hospitalizations; and that coping skills training using cognitive-behavioral techniques reduces the severity and distress of persistent symptoms.
- *Chemical Dependency Treatment:* Accompanied with IMR model, we offer medical detoxification and additional support groups utilizing the AA recovery model. Partnerships with local agencies provide a transition upon discharge for support groups.
- *Trauma Therapy:*
 - *EMDR* (Eye Movement Desensitization and Reprocessing) has been shown to be effective in reducing the intensity of subjective distress related to traumatic memories. We offer 3 day intensive trauma focused programming led by EMDR certified therapists.

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- *Cognitive Processing Therapy (CPT)* is a 12-session therapy that has been found effective for both PTSD and other corollary symptoms following traumatic events supported by the Veterans Administration.
- *Geriatric Programs:*
 - Illness Management & Recovery Model continues to be the foundation for treatment for our senior population. Special consideration is given to address any additional medical concerns and physical mobility demands. Psychoeducation is also geared toward grief and loss, life transitions, and overall wellness. This includes medical health and physical evaluations with medical consults, special dietary concerns, and trained nursing aides. The program is geared to be sensitive to transitions in residence upon discharge with community partnerships.

What type of outpatient programs are a part of this proposed project.

RESPONSE: SBH – Kingsport, LLC intends to offer Partial Hospitalization and Intensive Outpatient for adults, children and adolescents. This level of programing will allow for direct admissions as well as being available as a step down level of care.

Please clarify if the proposed seventy (72) bed inpatient psychiatric hospital will be classified as an Institution for Mental Disease (IMD).

RESPONSE: SBH – Kingsport, LLC intends for this seventy two (72) bed inpatient psychiatric hospital to be classified as an Institution for Mental Disease (IMD).

Please describe the applicant's experience in operating the following:

- An Adult Inpatient Chemical Dependency Unit
- An Adult Psychiatric Unit
- An Child and Adolescent Inpatient Psychiatric Unit
- A Gero-Inpatient Psychiatric Unit

RESPONSE: Strategic Behavioral Health, parent company of SBH – Kingsport, LLC operates seven psychiatric and chemical dependency hospitals across the United States, providing quality behavioral healthcare for children, adolescents, adults, and seniors. The company has either built or acquired a variety of programs, including acute, residential, and outpatient services, with a focus on compassion, empathy, and perseverance for patients and their families. All of Strategic Behavioral Health's facilities are accredited by either the Joint Commission or The Commission on Accreditation of Rehabilitation Facilities (CARF), and are in good standing with the department of licensure within their respective state. SBH – Kingsport, LLC has the advantage of utilizing the expertise of its sister facilities in the areas of clinical program development and operations.

An Adult Inpatient Chemical Dependency Unit

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Strategic Behavioral Health operates an Adult Inpatient Chemical Dependency Unit at the following facilities:

- Montevista Hospital in Las Vegas, NV – 20 beds
- Peak View Behavioral Health Hospital in Colorado Springs treats Chemical Dependency and mental health disorders in a combined 40 beds

An Adult Psychiatric Unit

Strategic Behavioral Health operates an Adult Psychiatric Unit at the following facilities:

- Montevista Hospital in Las Vegas, NV – 40 beds
- Peak View Behavioral Health Hospital in Colorado Springs, CO - 40 Beds
- The Peak Hospital in Santa Teresa, NM - 44 Beds

A Child and Adolescent Inpatient Psychiatric Unit

Strategic Behavioral Health operates a Child and Adolescent Inpatient Psychiatric Unit at the following facilities:

- Montevista Hospital in Las Vegas, NV – 38 beds
- Peak View Behavioral Health Hospital in Colorado Springs, CO - 20Beds
- The Peak Hospital in Santa Teresa, NM – 12 Beds
- Strategic Behavioral Center – Wilmington in Leland, NC – 20 Beds
- Strategic Behavioral Center – Raleigh in Garner, NC – 20 Beds

A Gero-Inpatient Psychiatric Unit

Strategic Behavioral Health operates a Gero-Inpatient Psychiatric Unit at the following facilities:

- Red Rock Hospital in Las Vegas, NV – 21 beds
- Peak View Behavioral Health Hospital in Colorado Springs, CO – 32 Beds

4. **Section B, Project Description, Item II.A**

Please clarify which two (2) units will share a nurse's station and med room, seclusion room and dedicated toilet.

RESPONSE: The facility has been specifically designed to accommodate various patient populations and census levels. Each unit is securely locked and has window access to the nurse's station. In additions, each unit has its own medication window for easy and secure med distribution. The units that will share a nurse's station are the adult unit with the adolescent unit and the child unit with the chemical dependency unit. The seclusion room and

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bathroom area is a securely locked area, but is a shared area between units. Use of the seclusion room and bathroom are coordinated based on need.

Please clarify if the twenty-eight (28) adolescent and child unit will be coed. If so, how and when will females and males be segregated?

RESPONSE: The twenty-eight (28) bed adolescent and child units will be coed. All males and females patients will be placed in rooms with same gender. Based on acuity, and clinical appropriateness there will be coed programming in an attempt to replicate real life environments, assisting in generalizing skills. All units are supervised to clinical need, including q15 minute checks.

Please describe the outpatient suites.

RESPONSE: SBH – Kingsport, LLC has designed a state of the art 72 bed free standing psychiatric hospital with much attention to both patient care areas as well as administrative space. Our outpatient programing will be held in our outpatient suite which is located within the facility but completely separated from our inpatient patient care areas, including a separate entrance so that our inpatient and outpatient populations never mix.

Please clarify if all the proposed psychiatric units will be locked.

RESPONSE: All psychiatric units will be locked.

What are the proposed ages ranges for each of the four (4) proposed psychiatric units?

RESPONSE: The ages for the four (4) proposed psychiatric units are as follows:

- Child – ages 5 – 11
- Adolescent – ages 12 – 17
- Adult – ages 18 – 54
- Gero – ages 55 and up

Please provide a clearer and legible copy of the square footage and cost per square footage chart.

RESPONSE: The requested copy is attached hereto.

5. Section B, Project Description, Item II.B

The applicant states there are no existing services in the service area. Please clarify if the following providers have declared Hawkins or Sullivan counties in Tennessee, or Wise, Scott, and Lee counties in Virginia as part of three service area:

Magnolia Ridge (Washington County)-Alcohol and Drug,
Wellmont Bristol Regional Medical Center (Sullivan County)
Woodridge Psychiatric Facility (Washington County)
Wellmont Pavilion (Bristol, Virginia)

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RESPONSE: The applicant has no information as to whether Magnolia Ridge or Wellmont Pavilion have claimed any of the listed counties as being in their service area. Neither is covered by Tennessee CON law. Woodridge has claimed Sullivan and Hawkins Counties to be in its primary service area, and has claimed Scott and Wise Counties in Virginia to be in its secondary service area in CON filings. BRMC is in Sullivan County and claims Hawkins County in its service area. The applicant assumes that it also claims Wise and Scott Counties in Virginia as being in its service area; the applicant does not so assume as to Lee County, Virginia.

If the above providers are part of the proposed service area of the applicant, please provide a summary of services provided, number of licensed beds and age range for each inpatient service.

RESPONSE: With the exception of Wellmont Bristol Regional Medical Center, none of these providers are located in the proposed service area of the applicant.

6. **Section B, Project Description, Item II.C**

Please indicate if the applicant has discussed the need for this proposed 72 bed facility with the Tennessee Department of Mental Health and Substance and Abuse Services. If so, please summarize including the date and person contacted.

RESPONSE: Prior to the submitting of our CON Application, a discussion with the Tennessee Department of Mental Health and Substance Abuse Services had not yet taken place. On January, 2 2013 a representative from Strategic Behavioral Health contacted Mr. John Arredondo, Assistant Commissioner of Hospital Services Division, to fulfill the requirement of discussing the proposed 72 bed facility. During the conversation, Mr. Arredondo said that the HSDA will get a copy of the application over to his office and that they would provide their analysis and response directly to the HSDA.

Please clarify if the applicant has contacted the Bureau of TennCare, or the contracted TennCare managed care organizations in the proposed service area regarding the need for additional inpatient psychiatric and chemical dependency units. If so, please provide a summary of the contact including the date and person contacted. If not, please contact the Bureau of TennCare and the contracted Managed Care Organizations to determine if there is a need for additional inpatient and chemical dependency services. Please provide a summary of the contact including the date and person contacted.

RESPONSE: Prior to the submitting of our CON Application, a discussion with the Bureau of TennCare and the contracted TennCare managed care organizations had not yet taken place.

TennCare

On January, 9 2013 a representative from Strategic Behavioral Health contacted Mrs. Mary Shelton, Director of Behavioral Health Operations and Mr. William Aaron, Deputy CFO, to

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fulfill the requirement of discussing the proposed 72 bed facility with the Bureau of TennCare. During the conversation, it was stated that the applicant should seek a contract with the MCO's to become a contracted TennCare provider. As a contracted provider the applicant would be able to treat TennCare members of all ages, including the adult (ages 18 – 64) population. At the time of the call, Mrs. Shelton was unable to go on record confirming a need for additional inpatient psychiatric beds in Eastern Tennessee.

BlueCare

On December 27, 2013 a representative from Strategic Behavioral Health was told that behavioral health contracting is managed through Value Options. The SBH representative attempted to contact Mrs. Rhonda Roper (UM Clinical Care Manager Supervisor) and Brooke McCully (Care Manager). A message was left for both individuals however Strategic Behavioral Health is still waiting on a response.

United Healthcare Community Plan

On December 27, 2013 a representative from Strategic Behavioral Health attempted to contact United Healthcare to inquire about the need for additional inpatient and chemical dependency services. A message was left with the credentialing department. On January 13, 2014 a follow up call was made and an SBH representative was able to discuss the inpatient psychiatric project with Mrs. Kimberly Averitt, Contract Manager. Mrs. Averitt requested that an email be sent with the project overview and scope of services in order to do an internal evaluation. The email fulfilling Mrs. Averitt's request was sent and Strategic Behavioral Health is waiting on a response.

TennCare Select

On December 27, 2013 a representative from Strategic Behavioral Health unsuccessfully attempted to contact TennCare Select to inquire about the need for additional inpatient and chemical dependency services. Strategic Behavioral Health is still waiting on a response.

Please contact the mobile crisis team serving the proposed service area. Please indicate if the mobile crisis teams are experiencing difficulty in referring patients and placing patients into inpatient psychiatric facilities. Please provide the date of the contact, person contacted and summary of the contact.

RESPONSE: Strategic Behavioral Health has a vast experience in the area of mobile crisis evaluation in its other markets and would be open to helping to facilitate the coordination of care throughout the service area. Frontier Health was identified as the mobile crisis team providing level of care assessments within our service area. A representative from Strategic Behavioral Health initially called and spoke with a member of the Frontier Health Crisis Response Team, who indicated that the only resource they really have is Woodridge Hospital and they sometimes have to send patients as far as Chattanooga for inpatient hospitalization. As a follow up to that conversation a meeting was set with Teresa Kidd (Senior VP of Operations) and Randall Jessee (Senior VP of Specialty Services) on Thursday, October 10, 2013. During the meeting it was noted that Frontier does not believe that there is a problem

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getting patients placed; however at the time of the meeting Strategic Behavioral Health had not excluded Washington County from its service area as we were still very early in the planning process. It should also be noted that Frontier did say that if we were able to complete our project and provide quality clinical programming that they would work with us.

7. Section B, Project Description Item III.A.(Plot Plan)

Please provide a legible plot plan.

RESPONSE: The requested plot plan is attached.

8. Section B, Project Description, Item B.IV

The floor plans submitted are noted. Please a clearer and legible copy that includes labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc.

RESPONSE: The requested floor plan is attached.

9. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services A. Need, 1)

Please reference the year of the recent Census Bureau and Tennessee Department of Health population data the applicant used to determine the bed need in the proposed five (5) county service areas.

RESPONSE: The applicant employed the July 1, 2012 Census Bureau population data for the population projection for the Virginia counties. It utilized the Tennessee Department of Health 2010-2020 population projections as published by the TDOH in 2010.

Please clarify which Virginia inpatient psychiatric facilities claim Wise, Lee and Scott counties in there proposed service area.

RESPONSE: Representatives of the applicant have not been able to determine this information. To the best of the applicant's knowledge, there are no inpatient psychiatric providers located in those three counties.

10. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services

The applicant has provided responses to the Project Specific Criteria for Psychiatric Inpatient Services with the assumption Bristol Regional Medical Center is the only inpatient provider covering Hawkins and Sullivan County. It appears Woodridge Psychiatric Hospital located in adjoining Washington County includes Hawkins and Sullivan counties in their service area. Please revise all responses to the Project Specific Criteria for Psychiatric Inpatient Services that includes inpatient facilities that has Hawkins and Sullivan counties in their designated service area as reflected in the Joint Annual reports. This will impact the bed need for the proposed service area.

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RESPONSE: The request incorrectly states the applicant's position in its CON application. The *Guidelines for Growth* do not require the applicant to analyze data of providers not located in its proposed service area. The Joint Annual Reports also do not specify a service area for any reporting hospital.

11. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services A. Need, 2)

The applicant states there is a need for 16.8 gero-psychiatric beds in the proposed service area according to the bed need formula. Please clarify how that was determined if the bed need formula does not break out gero-psychiatric bed need.

RESPONSE: As directed by the *Guidelines for Growth*, the applicant applied the 30 beds per 100,000 population standard to the portion of the service area population aged 65 and over.

12. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services A. Need, 4)

Please indicate if the applicant will have a psychiatric unit for age 5-14 and a unit for ages 15-19.

RESPONSE: We intend to have a child psychiatric unit for patient's ages 5 – 11 and have an adolescent psychiatric unit for patients ages 12 – 17.

13. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services B.1. (Service Area))

Please complete the following chart. The chart will determine where patients of the proposed service area migrate to for psychiatric services. Please contact Mr. George Wade at the Tennessee Department of Health, Division of Health Statistics (615-741-1954) and request patient discharge utilization data (inpatient day or discharge patient days) from January 1, 2012 to December 31, 2012 by MCD19 (Mental Diseases and Disorders) and MCD 20 (Alcohol/Drug Abuse & Alcohol/Drug-Induced Organic Mental Disorders).

**Patient Origin by County
Number of Inpatient Days or Discharge Patient Days**

Facility	Hawkins	Sullivan	Lee	Scott	Wise
Magnolia Ridge (Alcohol and Drug)					
Wellmont Bristol Regional Hospital					

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Wellmont Pavilion (Va.)					
Woodridge Psychiatric Hospital					
Moccasin Bend					
Ridgeview Psychiatric Hospital and Center in Oak Ridge					
Peninsula Hospital in Louisville (Blount County)					
Total					

RESPONSE: A representative of the applicant conferred with Mr. Wade on December 26, 2013, and emailed him the table below with a request for assistance from his office. He replied via email on that date stating that he had forwarded applicant's email request on to his office's director. Since that time, the applicant has not received any response from Mr. Wade's office, or from his director.

Facility	Hawkins	Sullivan	Lee	Scott	Wise
Magnolia Ridge (Alcohol and Drug)	not available	not available	not available	not available	not available
Wellmont Bristol Regional Hospital	not broken out**	not broken out**	not listed	not listed	not listed
Wellmont Pavilion (Va.)	not available	not available	not available	not available	not available
Woodridge Psychiatric Hospital	1,520	5,886	not listed	443	not listed
Moccasin Bend	172	14	0	0	0
Ridgeview Psychiatric Hospital and Center in Oak Ridge	5	5	0	0	0
Peninsula Hospital in Louisville (Blount County)	494	967	not listed	not listed	not listed
Total***	2,191	6,872	0	443	0

*Source - 2012 JARs

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**Not broken out in JAR by location and mental disease/A&D diagnoses
***Totals of available data

14. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services B. 1. Service Area and Section C. Need. Item 3 Service Area

Your response is noted. Please complete the following table indicating the travel times and distances to existing facilities, and the proposed SBH-Kingsport, LLC.

Facility		Hawkins Co. (Rogersville, TN)	(Sullivan Co. Kingsport, TN)	Wise County (Wise, VA)	Lee County (Jonesville, VA)	Scott County (Gate City, VA)
Magnolia Ridge (Washington County)	Time					
	Distance					
Wellmont Regional Medical Center (Sullivan Co.)	Time					
	Distance					
Woodridge Psych Hospital (Washington Co.)	Time					
	Distance					
Wellmont Pavilion (Bristol, VA)	Time					
	Distance					
Ridgeview Psychiatric Hospital and Center in Oak Ridge (Anderson County)	Time					
	Distance					

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Peninsula Hospital in Louisville (Blount County)	Time					
	Distance					
Moccasin Bend Mental Health Institute (Hamilton County)	Time					
	Distance					
Proposed SBH-Kingsport, LLC	Time					
	Distance					

RESPONSE: The requested chart is set forth below. Driving times and distances given by MapQuest.

Facility		Hawkins Co. ** (Rogersville, TN)	(Sullivan Co. *** Kingsport, TN)	Wise County (Wise, VA)**	Lee County** (Jonesville, VA)	Scott County** (Gate City, VA)
Magnolia Ridge (Washington County)	Time	1 hr	30 min	1 hr 29 min	1 hr 25 min	39 min
	Distance	50.8 mi	25.2 mi	73.7 mi	68.4 mi	31.5 mi
Wellmont Regional Medical Center (Sullivan Co.)*	Time	1 hr	19 min	1 hr 23 min	1 hr 16 min	31 min
	Distance	46.8 mi	15.6 mi	64.1 mi	59.6 mi	22.7 mi
Woodridge Psych Hospital (Washington Co.)	Time	1 hr	30 min	1 hr 29 min	1 hr 25 min	28 min
	Distance	49.8 mi	24.1 mi	72.7 mi	67.3 mi	31.5 mi
Wellmont Pavilion (Bristol, VA)	Time	1 hr	22 min	1 hr 27 min	1 hr 20 min	35 min

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	Distance	49.3 mi	18 mi	69.3 mi	62 mi	25.2 mi
Ridgeview Psychiatric Hospital and Center in Oak Ridge (Anderson County)	Time	1 hr 55 min	2 hr 9 min	3 hr 8 min	2 hr 9 min	2 hr 19 min
	Distance	95.7 mi	123.1 mi	173.3 mi	99.8 mi	130.9 mi
Peninsula Hospital in Louisville (Blount County)	Time	1 hr 47 min	2 hr 1 min	3 hr 1 min	2 hr 21 min	2 hr 11 min
	Distance	87.1 mi	112.6 mi	162.4 mi	97.9 mi	120.4 mi
Moccasin Bend Mental Health Institute (Hamilton County)	Time	1 hr 47 min	3 hr 35 min	4 hr 34 min	3 hr 52 min	3 hr 45 min
	Distance	188.4 mi	244.4 mi	264.6 mi	197.8 mi	222.1 mi
Proposed SBH-Kingsport, LLC	Time	40 min		1 hr 6 min	1 hr 1 min	15 min
	Distance	31.2 mi		52 mi	46.4 mi	9.6 mi

* Assumes Wellmont Bristol Regional Medical Center

** Drive times and distances given from local county courthouses, respectively

***Drive time and distance given from SBH-Kingsport site.

15. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services) B. 2. Service Area Demographics and Section C. Need. Item 4.A Service Area Demographics

Please complete the following chart.

Demographic Data	Hawkins County	Sullivan County	Service Area Total	State of TN Total
Total 2013 Population				
Total Population-				
Total 2017 Population % Change				
65+ Pop. - 2013				
65+ Pop. - 2017				
65+ Population % Change				
65+ Population % of Total Population				
Median Age				
Median Household Income				
TennCare Enrollees				

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TennCare Enrollees as % of Total Population				
Persons Below Poverty Level				
% of Total Population below Poverty Level				

RESPONSE: The requested chart is set forth below:

Demographic Data	Hawkins County	Sullivan County	Service Area Total	State of TN Total
Total 2013* Population	60,131	154,387	214,518	6,414,297
Total Population- 2017	61,865	154,946	216,811	6,623,114
Total 2017 Population % Change	2.9%	.4%	1.1%	3.3%
65+ Pop. - 2013	10,211	29,471	39,682	904,587
65+ Pop. - 2017	11,333	31,683	43,016	1,014,889
65+ Population % Change	11%	7.5%	8.4%	12.2%
65+ Population % of Total Population	18%	19.5%	19.1%	14.2%
Median Age**	42.3 yrs	43.5 yrs	43.2 (est.)	38 yrs
Median Household Income	\$36,419	\$40,025	\$39,124 (est.)	\$44,140
TennCare Enrollees***	11,668	27,446	39,114	1,198,663
TennCare Enrollees as % of Total Population	19.4%	17.8%	18.2%	18.7%
Persons Below Poverty Level**	9,861	26,091	35,952	1,109,673
% of Total Population below Poverty Level	16.4%	16.9%		17.3%

* Source: Tenn. Dept. of Health

** Source: U.S. Census Bureau

*** Source: Bureau of TennCare, September 2013 enrollment data

**** Sullivan and Hawkins Counties only

Please clarify the reason the applicant did not include Washington County in its service area since it appears Sullivan and Washington counties share economic links and are closely in proximity.

RESPONSE: The applicant seeks to serve the area with the most need since Mountain States Health Alliance, owner of Indian Path Pavilion, closed that inpatient psychiatric hospital several years ago, and the state psychiatric hospital facility in Knoxville recently closed also. The need for the applicant's project is greatest where there are no other facilities. Washington County has Woodridge Hospital in Johnson City to serve its needs.

Please indicate the counties included in the service area of Woodridge Hospital in Johnson City, Ridgeview Psychiatric Hospital and Center in Oak Ridge, and Peninsula Hospital in Louisville (Blount County)?

RESPONSE: Woodridge Hospital has claimed these counties as its primary service area: Washington, Carter, Sullivan, Hawkins and Greene. Peninsula Hospital has outpatient centers in Blount, Knox, Loudon and Sevier Counties; thus, the applicant assumes that those

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comprise its service area. According to p. 22 of its 2009 JAR, on 11/2/09 it surrendered 145 inpatient psychiatric hospital beds.

According to its 2012 JAR, Ridgeview Psychiatric Hospital in Anderson County has 16 beds and draws the greatest majority of its patients from Anderson County and the counties contiguous to it: Campbell, Knox, Roane, Scott and Morgan (91% of its admissions or discharges in 2012).

Please review and provide a copy of the letter from the Tennessee Department of Mental Health dated May 17, 2012 regarding Lakeshore Mental Health Institute (LMHI) from the following web address: <http://tn.gov/mental/mhs/Catchment%20Area%20Letter-DV.pdf>
Please respond to the following question:

- Has the applicant discussed with the Tennessee Department of Mental Health the possibility of providing services for uninsured persons? If so, please discuss.

RESPONSE: Prior to the submitting of our CON Application, a discussion with the Tennessee Department of Mental Health and Substance Abuse Services had not yet taken place. On January 2, 2013, a representative from Strategic Behavioral Health contacted Mr. John Arredondo, Assistant Commissioner of Hospital Services Division. During the conversation, Mr. Arredondo stated that he did not wish to comment on the project, and said that the HSDA will get a copy of the application over to his office and that they would provide their analysis and response directly to the HSDA. Strategic Behavioral Health would be open to exploring the possibility of providing services for uninsured persons with the Tennessee Department of Mental Health.

- How will the expansion of existing contracts with the three mentioned private inpatient psychiatric hospitals impact utilization at the applicant's proposed inpatient facility?

RESPONSE: The expansion of the state's contracts with the listed providers should not impact the applicant's utilization. Many of the patients subject to those contracts will be adult Medicaid, for which, as shown below, the applicant will have to deal with the IMD issue prior to serving.

16. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services C. 1. Relationship to existing applicable plans (State, City, County, Regional Plans))

The applicant states Strategic Behavioral Health, LLC does not have any inpatient psychiatric facilities in Tennessee. Please indicate if the applicant has reviewed Tennessee Title 33 Laws specific to inpatient psychiatric facilities.

RESPONSE: The applicant has reviewed Title 33 of the Tennessee Code Annotated.

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17. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services C. 3. Relationship to existing applicable plans State appropriations).

The applicant states the proposed inpatient facility will not be able to accept adult TennCare admissions. Please clarify why this is so and reference any rules and regulations.

RESPONSE: Institutions for Mental Disease (IMDs) are inpatient facilities of more than 16 beds whose patient roster is more than 51% people with severe mental illness. Federal Medicaid matching payments are prohibited for free standing IMDs with a population between the ages of 22 and 64. IMDs for persons under age 22 or over age 64 are permitted, at state option, to draw federal Medicaid matching funds. See 42 CFR §435.100a as attached hereto. Initially the applicant was under the impression that the proposed inpatient facility would not be able to accept adult TennCare admissions based on the aforementioned. Upon further investigation, the applicant was able to confirm with representatives from TennCare that, if SBH – Kingsport, LLC is successful in becoming a contracted TennCare provider, it will be able to accept adult TennCare admissions. SBH – Kingsport, LLC has every intention to becoming a contracted TennCare provider and would be more than happy to treat this population within its facility.

18. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services C. 4. Relationship to existing applicable plans (Involuntary Admissions))

Does the applicant expect to accept all involuntary admissions (all ages)? Will the applicant have the expertise and staff to monitor patients who may require one to one observation or may require special treatment?

RESPONSE: SBH – Kingsport, LLC will accept involuntary admissions starting at 5 years of age. The applicant will have the expertise and staff to monitor patients who may require one to one observation or may require special treatment. All staff will be thoroughly trained in proper observation monitoring and special treatment procedures to include Restraint and Seclusion techniques. In addition, the applicant will have access to additional staff through a PRN pool of Mental Health Technicians as staffing demands change due to one to one observation.

Please discuss if involuntary admissions and the uninsured would be transferred to private psychiatric hospitals that have expanded contracts with the Tennessee Department of Mental Health.

RESPONSE: SBH – Kingsport, LLC would be open to contracting directly with the Tennessee Department of Mental Health to accommodate this patient population. The applicant does plan to accept involuntary admissions and the uninsured.

The applicant states SBH-Kingsport, LLC will accept involuntary and voluntary admissions. Since Lakeshore Mental Health Institute closed on June 30, 2012, does the applicant plan to accept uninsured persons that would have been served by LMHI?

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RESPONSE: As indicated above, SBH – Kingsport, LLC would be open to contracting directly with the Tennessee Department of Mental Health to accommodate those individuals who are no longer able to receive treatment at Lakeshore Mental Health Institute.

Please discuss examples of when the applicant could not accept an “Involuntary Admission.” In a situation where the applicant could not take an “Involuntary Admission”, what protocols would the applicant enact to assure the patient could receive proper treatment?

RESPONSE: An example of when we would not be able to accept an involuntary admission would be if we do not have a bed available, or if the patient's medical status is beyond our scope of care. In this case a full assessment would be completed and an admission specialist would coordinate with other community resources to assist in proper placement.

19. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services C. 5. Relationship to existing applicable plans

The applicant states the proposed facility will not be able to accept adult TennCare admissions. If this is so, does the projected TennCare utilization of 38% of charges seem reasonable? Please discuss.

RESPONSE: As previously indicated, prior to submitting the application the applicant was not aware that they would be able to accept adult TennCare admissions. As such, the projected utilization of 38% of charges does seem reasonable. We believe that the projected utilization is reasonable given the number of child and adolescent patients we intend to treat, as well as the number of dual eligible Medicare/Medicaid patients that are anticipated.

20. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services D.1. (Relationship to Existing Similar Services))

Please complete the following table indicating the licensed beds and occupancies of existing facilities that have Hawkins and Sullivan Counties in their existing service area.

[illegible]

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Total									
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RESPONSE: Mr. Wade's office has not made Magnolia Ridge's utilization available to the applicant. Publicly available data for the other 2 facilities is set forth below.

Facility	Total Psychiatric Licensed Beds	Geriatric Beds	Adult Psych Beds	Total Child and Adolescent Beds	Total Chemical Dependency Beds	2010 Occup.	2011 Occup	2012 Occup.	Accept Involuntary Admissions
Magnolia Ridge (Washington County)	0	0	0	0	0	Not avail-able	Not avail-able	Not avail-able	Not for psychiatric inpatient
Wellmont Regional Medical Center (Sullivan Co.)	12	0	12	0	0	Not avail-able	Not avail-able	Not avail-able	Yes
Woodridge Psych Hospital (Washington Co.)	84	0	84	0	0	63.8%	64.7%	69.6%	Yes
Total*	96	0	96	0	0	63.8%	64.7%	69.6%	

*Based on available information

Please indicate if there are existing psychiatric intensive outpatient or partial hospitalization programs in the proposed service area.

RESPONSE: The applicant is not aware of any psychiatric intensive outpatient or partial hospitalization programs ongoing in the service area.

Will the applicant provide any intensive outpatient or partial hospitalization programs in the proposed service areas?

RESPONSE: The applicant intends to provide both intensive outpatient as well as partial hospitalization. Strategic Behavioral Health has significant experience operating both intensive outpatient and partial hospitalization programs for mental health and substance abuse in its other markets.

21. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services D.2. (Relationship to Existing Similar Services-Access/Special Needs Groups)

The applicant states involuntary patients will be accepted. If an uninsured individual is admitted involuntarily and is then is enrolled in TennCare, will be applicant need to transfer the patient to another facility since adult TennCare patients cannot be accepted?

RESPONSE: SBH – Kingsport, LLC does not believe that this scenario is likely given the time it would take for enrollment and eligibility verification. It is our belief that there is a very high probability that the individual would be stabilized and no longer be involuntary in the time that it would take to enroll in TennCare.

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22. Section C, Need, Item 3.

Please provide a clearer county level map of the proposed service area.

RESPONSE: The requested service area map is attached.

23. Section C, Need, Item 6

Please also complete the following chart:

Facility	Beds	Year 1	Year 1	Year 1	Year 1	Year 2	Year 2	Year 2	Year 2
		Admits	Pat. Days	ALOS	%Occ.	Admits	Pat. Days	ALOS	%Occ.
SBH-Kingsport, LLC									

RESPONSE:

Facility	Beds	Year 1	Year 1	Year 1	Year 1	Year 2	Year 2	Year 2	Year 2
		Admits	Pat. Days	ALOS	%Occ.	Admits	Pat. Days	ALOS	%Occ.
SBH-Kingsport, LLC	72	725	8,700	12	33	1,425	17,100	12	65

Please provide the details regarding the methodology used to project 8,700 patient days during the first year of operation and 17,100 patient days during the second year of operation. The methodology must include detailed calculations or documentation from referral sources.

RESPONSE: Mental illness effects a large portion of the United States population, with 44.7 million adults experiencing some mental illness in 2011- 2012, and another 10.4 million adults experiencing serious mental illness, such as schizophrenia, chronic depression, or bipolar disorder. (Data from the Substance Abuse and Mental Health Administration's National Survey on Drug Use and Health, published May 31, 2012) The Substance Abuse and Mental Health Administration (SAMHSA) provides data on mental illness in the United States. According to SAMHSA estimates, the following percentages of people in the United States and Tennessee suffer from mental illness (These tables are based on National Survey on Drug Use and Health surveys conducted in 2008 and 2009.):

Tennessee	21.46%
Nation	19.77%

Tennessee	5.01%
Nation	4.62%

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Tennessee has mental illness rates higher than the national average. With such large portions of Tennessee's population suffering from mental illness, it is important for the state to ensure adequate availability of mental health services so this population can receive needed psychiatric treatment.

Strategic Behavioral Health has extensive experience in the ramp up of psychiatric hospitals. The applicant has looked at the population of the service area, prevalence of mental illness and serious mental illness and has taken into account the ramp up pattern of other SBH facilities as its methodology and to form its projections.

The total average daily census of 23.8 in Year One and 46.8 in Year Two of the proposed project is noted. Please break-out the proposed average daily census by unit:

	Year One- ADC	Year Two- ADC
Adult Psychiatric Unit (18 beds)		
Gero Psychiatric Unit (16 Beds)		
Child and adolescent beds (28 beds)		
Chemical Dependency Unit (10 beds)		
Total	23.8	46.8

RESPONSE:

	Year One- ADC	Year Two- ADC
Adult Psychiatric Unit (18 beds)	6	11.7
Gero Psychiatric Unit (16 Beds)	5.3	10.4
Child and adolescent beds (28 beds)	9.2	18.2
Chemical Dependency Unit (10 beds)	3.3	6.5
Total	23.8	46.8

Please provide letters of referral from Community Mental Health Centers, Private Psychiatrists and Primary Care Physicians, etc.

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RESPONSE: At this time, the applicant has met with a wide sample of community mental health stakeholders; including private practice clinicians, law enforcement, medical/surgical hospitals, skilled nursing facilities, teaching institutions, Department of Children's Services and local government officials. The applicant has attached the Letters of Support that are already in receipt, validating the need for additional inpatient psychiatric services discussed during the meetings. In addition, the applicant anticipates receiving letters of support from several community stakeholders.

Please also provide letters from the service area's Community Mental Health Agency's mobile crisis teams that express the need for the proposed psychiatric inpatient facility in Sullivan County.

RESPONSE: A Strategic Behavioral Health Representative has made contact with Frontier Health, who is not willing to write a letter expressing the need for our proposed facility. In a meeting on October 10, 2013 with Lucretia Sanders, Regional Administrator for the Department of Children's Services, a representative from Strategic Behavioral Health was told that there is definitely a need for additional inpatient psychiatric beds. Mrs. Sanders indicated that if DCS is unable to get a youth placed at Woodridge Hospital they have to send the youth to Knoxville, which puts a tremendous strain on continuity of care and is not desirable. Additionally, in a meeting with Sullivan County Sheriff's Office Chief Deputy Lisa Christian a representative from Strategic Behavioral Health was shown data reflecting mental health transports conducted by the department. In 2012 there were 1,107 transports that had to leave Sullivan County to receive services. In 2013 there were 1,168 transports that had to leave Sullivan County to receive services. On 1/14/2014 a representative from Strategic Behavioral Health met with several key stakeholders from Kingsport City Schools. During this meeting it was stated that the school district takes a proactive role in responding to the mental health needs of its students and would be encouraged to work with Strategic Behavioral Health as a community partnership to place an emphasis on continuity of care and transitional re-entry into schools.

24. Section C. Economic Feasibility Item 1 (Project Cost Chart)

The letter from Thomas Construction Group dated December 9, 2013 is noted. Please submit the referenced attached "Part A of the Project Costs Chart" the letter is referencing.

RESPONSE: This reference refers to "Part A" of the Project Cost Chart itself, which specifies that the projected construction costs are approximately \$8,000,000.

Please clarify \$562,607 assigned to C.4. "Build Year Operating Cost".

RESPONSE: These are costs, such as personnel and benefit costs, that accrue as operating costs as the applicant brings the project through construction completion and licensure prior to accepting the first patient. A list of these costs is attached.

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25. Section C. Economic Feasibility Item 2 (Funding)

The applicant has checked box F-“Other Funding” to document funding for this proposed project. The letter dated December 11, 2013 for Strategic Behavioral Health, LLC notes the proposed project will be funded through cash, availability under the credit facility and net cash flows from existing operations. Please clarify how much of the \$11,717,915 project cost will be assigned to cash, revolving credit and net cash flows. Also, please check all applicable funding sources for the project and resubmit a replacement page.

RESPONSE: SBH – Kingsport, LLC anticipates that the breakdown of funding for the project is as follows:

- Cash - \$4,100,000
- Revolving Credit - \$6,700,000
- Additional Net Cash Flows - \$917,915

The requested replacement page, indicating all applicable funding sources is attached.

26. Section C. Economic Feasibility Item 3 (Reasonableness of Project Cost)

Please compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

RESPONSE: The applicant’s construction cost per square foot of \$153.00 compares favorably with that projected by the applicant in the following CON applications: Rolling Hills Hospital, CN1312-051: \$337 per square foot; Woodridge of West Tennessee, CN1309-035: \$114 per square foot (renovation only).

The latest HSDA Hospital Construction Cost per Square Foot analysis for projects approved by the HSDA 2010-2012 is provided at the following web-site:

http://tennessee.gov/hsda/applicants_tools/docs/Construction%20Cost%20Per%20Square%20Foot%20charts-0911.pdf

RESPONSE: See the attached chart for the requested historic costs per square foot. The median cost per square foot for new hospital construction projects for 2010-2012 was \$259.66 per square foot. The applicant projects that its construction costs are approximately \$153.00 per square foot. This project’s projected construction costs are thus below the 2010-2012 median cost.

27. Section C. Economic Feasibility Item 4. (Historical Data Chart and Projected Data Chart)

Please indicate if there are management fees associated with this project. Please note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should also include

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any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.

RESPONSE: There are no management fees associated with this project.

There appears to be a calculation error for the total of Gross Operating Revenue in Year 2 on the Projected Data Chart. Please verify and resubmit a replacement page if needed.

RESPONSE: The Gross Operating Revenue in Year 2 on the Project Data Chart had a typo and should have been \$28,023,800 and not \$26,023,800. A corrected Project Data Chart is attached.

The applicant projects 8,700 patients in Year One. What is the census of patients needed to breakeven?

RESPONSE: The census of patients that is needed to break even is twenty four (24).

Please complete the following for D.9 of the Projected Data Chart:

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES

	Year ____	Year ____
1.	\$ _____	\$ _____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____
7.	_____	_____
Total Other Expenses	\$ _____	\$ _____

RESPONSE:

OTHER EXPENSES CATEGORIES

	Year <u>1</u>	Year <u>2</u>
1. Advertising	\$ <u>120,000</u>	\$ <u>120,000</u>
2. Purchased Services	\$ <u>366,708</u>	\$ <u>550,542</u>
3. Recruitment	\$ <u>36,000</u>	\$ <u>36,000</u>
4. Travel	\$ <u>90,000</u>	\$ <u>90,000</u>
5. Repairs	\$ <u>17,400</u>	\$ <u>34,200</u>
6. Insurance	\$ <u>48,000</u>	\$ <u>48,000</u>
7. Utilities	\$ <u>144,300</u>	\$ <u>149,850</u>

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8. Misc. Expenses	\$_20,700_	\$_29,100_
Total Other Expenses	\$_843,108_	\$_1,057,692_

28. Section C. Economic Feasibility Item 5

Please calculate average gross charge, average deduction from operating revenue and average net charge Year One. The applicant should divide each area by the total of patient days.

RESPONSE: The applicant projects that its average gross charge per inpatient day in year 1 is approximately \$1,578, and that its average net charge per inpatient day is approximately \$550 per day. Its average deduction from gross operating revenue is approximately \$1,028.

29. Section C, Economic Feasibility, Item 6.A. and 6.B.

Please provide comparative charges to Woodridge Psychiatric Hospital in adjoining Washington County.

RESPONSE: As indicated by data on p. 18 of its 2012 JAR, the Woodridge Psychiatric Hospital average charges per day appear to be approximately \$2,214 per patient day. This figure was derived by dividing its reported gross charges for inpatient (\$47,218,094) care by the number of its reported 2012 inpatient days (21,329).

30. Section C, Economic Feasibility, Item 9.

How will the medically indigent be served?

RESPONSE: Appropriate medical care will be provided to all patients, regardless of their ability to pay. That care will be limited to the appropriate scope of a psychiatric hospital. Emergency medical or life threatening medical will be transferred to the appropriate medical hospital.

31. Orderly Development, Item 1

Does the applicant plan to have a working relationship with area mobile crisis teams?

RESPONSE: Yes, the applicant intends to have a working relationship with the area mobile crisis teams. As indicated in question 6, Frontier Health did say that if we were able to complete our project and provide quality clinical programming that they would work with us.

32. Orderly Development, Item 2

It appears there are other inpatient psychiatric providers such as Woodridge Psychiatric Hospital that also claims Hawkins and Sullivan counties in their service area. How will this proposal impact the utilization of similar providers such as Woodridge?

RESPONSE: Utilization of Woodridge and other inpatient psychiatric providers not in the service area has already been accounted for in the projections for this project. The

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elimination over recent years of inpatient psychiatric beds at Indian Path Pavilion and Lakeshore Mental Health Institute in Knoxville demonstrate the continuing need for additional inpatient psychiatric beds in this service area.

33. Section C, Contribution to Orderly Development, Item 3

The applicant has assigned 1.4 techs and 1.4 R.N/UM per shift. This staffing pattern appears to be underestimated by the applicant in staffing a 72 bed psychiatric facility that may have high acuity patients. How will 1.4 techs and 1.4 RN/UM cover four (4) units? If there is a suicide watch how will this be handled with limited staff? Please clarify.

RESPONSE: The hospital will be staffed based on clinical acuity and staffing levels will increase to accommodate the need if special observation is required. The staffing pattern previously submitted was calculated by taking averages of FTE's per unit per shift over the ramp up census levels. The following ratios should provide more clarity on staffing:

Nursing – 1:10

Mental Health Tech – 1:8

Recreation Therapist – 1:30

Therapist – 1:12

In addition to fifteen (15) minute checks, line of sight observations and one-to-one observations will be used as needed. A PRN pool will be established to support the need for additional staff for special observations.

How will one therapist cover four (4) psychiatric units in Year One and Year Two, and be specialized in child and adolescent, chemical dependency, adult psych and gero-psych areas?

RESPONSE: The applicant will have appropriate therapist coverage for each patient population. There is a one (1) to twelve (12) therapist ratio. Therapists will be educated and trained in all specialized areas and populations.

Why are there no FTEs assigned to teachers?

RESPONSE: Children in acute psychiatric hospital care are on medical homebound from local schools and education is not the focus of acute stabilization; however the applicant will, upon the guardian's request, communicate with the school in order to avoid administrative disenrollment due to attendance.

What will be the patient to tech and nurse ratio for each of the four units? Will this meet staffing requirements of the Tennessee Department of Mental Health?

RESPONSE: The applicant will meet the staffing requirements of the Tennessee Department of Mental Health (Rule 0940-5-16-.14). All units will be staffed to acuity.

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Staffing will increase to cover special observations. The tech to patient ratio will be one (1) to eight (8), and the nurse to patient ratio will be one (1) to twelve (12).

Please compare clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor and Workforce Development and/or other documented sources.

RESPONSE: Wage patterns for these positions in this service area, as published by the Tennessee Department of Labor and Workforce Development, are set forth below for the Kingsport-Bristol MSA:

Position	Median Wage
RN	\$48,630
Mental Health Counselor	\$34,740
Healthcare Support Workers	\$33,600

If necessary, please resubmit the staffing pattern for the 72 bed psychiatric facility that will meet licensure standards.

34. Section C, Contribution to Orderly Development, Item 7

Please provide the latest results of a state licensure survey of an existing inpatient psychiatric inpatient facility owned by Strategic Behavioral Health, LLC along with the applicant's responses.

RESPONSE: The requested documentation is attached hereto.

35. Proof of Publication

Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.

RESPONSE: The requested documentation is attached hereto.

January 29, 2014

3:10pm

Mr. Phillip M. Earhart
January 28, 2014

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Garone", written over a horizontal line.

Mike Garone

Contact Person for Certificate of Need
Application CN1312-050
SBH-Kingsport, LLC

Attachments

**KINGSPORT POLICE DEPARTMENT**

200 Shelby Street, Kingsport, Tennessee 37660
Information: (423) 229-9300 • Fax: (423) 224-2786
Email: kptpd@ci.kingsport.tn.us

David Quillin
Chief of Police
(423) 229-9423



July 29, 2014
10pm

Tennessee Health Services and Development Agency
502 Deaderick Street
Nashville, TN 37243

To Whom It May Concern,

My name is David Quillin. I serve as the Chief of Police of the Kingsport Police Department. I have almost 30 years of local law enforcement experience. It has come to my attention that Strategic Behavioral Health, LLC has expressed an interest in potentially locating a facility in our city which would expand access to mental health services for our community.

I believe this type of facility could be beneficial to our community for a variety of reasons:

- There are waiting lists at other facilities and citizens cannot get the care they need in a timely manner.
- Emergency rooms at hospitals should probably not be the place where mentally ill are treated.
- The local mental health system has been stressed after the closure of Indian Path Pavilion and Lakeshore Mental Health Institute.
- Large portions of our population must travel outside of the area in order to receive the appropriate treatment.
- Our community hospital system provides exceptional care, but, based on my experience, there is still a growing need for psychiatric services in our immediate area.

I would be happy to answer any questions, should they arise.

Regards,

David Quillin, Chief of Police

January 29, 2014

3:10pm



2762 E Center Street, Kingsport, TN 37664 Ph: 423-408-8041 Email: sybilrsmith@gmail.com

1/22/14

Tennessee Health Services and Development Agency
502 Deaderick Street
Nashville, TN 37243

To Whom it May Concern:

Being a therapist in private practice and connected to the Kingsport, TN community for over a decade, I am voicing my support for expanded mental health services. My name is Sybil Smith, and I hold a state license as LPC-MHSP, national board certification as a music therapist, as well as the FAMI designation.

In my practice, I work with teens and adults who struggle with anxiety, depression and eating disorders, specifically as a result of trauma. In most cases, emotional crisis is either the precipitating factor that brings people to seek treatment, or the crisis comes as a result of dealing with very traumatic issues in an unsupported environment. In both cases, my hands are tied, in terms of offering resources to my clients for inpatient treatment, detox, or intensive out patient therapy. With the closest facility to provide these services being nearly an hour's drive away, it is a real deterrent for our community members to receive the support and healing that they so desperately need.

Because of the lack of resources, many of our community members end up in the hospital system. While we have top-notch hospital care here, neither Wellmont nor Mountain States are equipped to fully service the mental health needs of my clients. When clients do find resources outside of our community – often out of state – the continuity of care becomes much more difficult. Consistency is one of the key factors in healing anxiety, depression, eating disorders and trauma. Having a facility in our community will help me continue care in a more manageable and healthy way that benefits my clients.

If you have any other questions, please feel free to contact me; I am happy to support mental health awareness and resources in our community.

Sincerely,

A handwritten signature in black ink, reading "Sybil R. Smith" with "LPC" written in smaller letters to the right.

Sybil R Smith, LPC-MHSP, MT-BC, FAMI
The Journey Center for Healing Arts



Cognitive Behavioral Specialists of the Tri-Cities

Teaching the ABC's of Healthy Choices

2758 E Center St., Kingsport, TN 37664 423-245-5608

January 14, 2014

Tennessee Health Services and Development Agency
502 Deaderick Street
Nashville, Tn 37243

To Whom It May Concern,

I am provider of mental health services in an outpatient private practice setting in Kingsport Tn. I am writing this letter to express my deep concern related to the serious lack of higher level of care options for mental health clients.

As it stands now any client in a psychiatric crisis has very few options, all of which are problematic. They must go to the emergency room to be evaluated and cleared before being approved to transfer to Woodridge. This is a problem for many of my clients that do not want to go through the emergency room and incur additional and unnecessary medical bills, clients that are concerned about sitting in the emergency room with flu and other contagious illness, as well as for clients that are not emotionally stable to sit the long hours to be cleared. Many of my psychiatric clients refuse to go to Woodridge because they have gone in the past and been traumatized by patients who were in the unit for detox/ substance abuse purposes. Woodridge is limited in the number of beds available and often must send critical overflow to either Knoxville or Nashville. This is extremely difficult for clients who are already in crisis. I have had suicidal clients that required involuntary commitment who were forced to ride in the back of a police car to Nashville. This experience was extremely traumatic and has resulted in additional psychiatric issues for that client as well as a fear of future hospitalizations. The only alternative to Woodridge currently is a 72 hour facility that patients can be placed in for safety; however, that does not provide any therapy or skills to help them cope when they return home.

The need for children and adolescents is even far greater. These children are being transported up to 9 hours away to receive psychiatric treatment. It is impossible for families to be involved in the treatment process from that far away. This can cause greater psychiatric stress and trauma to already fragile children. It is extremely difficult to have continuity of care between providers in Knoxville, Nashville and Memphis and those providers who will be following up with these patients when they return home. This can often result in unnecessary and sometimes abrupt medication changes with local physicians who are taking over when the patients are discharged. This can cause the client another crisis for which the only treatment options are listed above.

I believe strongly that it is in the best interest of my clients and of our local community to grant the CON and expand the options for mental health treatment in our community. Please contact me for any additional information at 423-245-5608.

Sincerely,

Cheri L. Baird, LCSW/CCBT

January 29, 2014

3:10pm

**Cognitive Behavioral
Specialists of the Tri-Cities**

Teaching the ABC's of Healthy Choices

2758 E Center St., Kingsport, TN 37664 423-245-5608

January 15, 2014

Tennessee Health Services and Development Agency
502 Deaderick Street
Nashville, TN 37243

To Whom It May Concern:

As a licensed professional counselor, I would like to offer my support for the proposal by Strategic Behavioral Health, LLC to construct a new behavioral health hospital in Kingsport, Tennessee. I am currently in private practice and see a need for such a facility since the closure of Indian Path Pavilion in 2009 and the more recent closure of Lakeshore in Knoxville. This has left our community in need of inpatient care and only one facility to provide those services.

I was employed at Indian Path Pavilion from 2000-2009 as a counselor and worked in various programs during my tenure. The closing of the facility had nothing to do with a decreased need from the community but more so because of poor management. Many patients now must either seek treatment at Woodridge Hospital in Johnson City or go to Knoxville and beyond to get the care they need. Most patients and clinicians in the area do not believe Woodridge offers the quality of care they desire, now that Woodridge is owned by Mountain States Health Alliance (MSHA). Potential patients for Woodridge are required to go to a local emergency department for screening prior to admission, placing an unnecessary burden on those seeking treatment. This alone keeps many people needing inpatient treatment from following through. Since MSHA is a medical organization, psychiatric care is only a fraction of their services and does not receive the resources it needs.

My understanding of the proposed hospital is that Strategic Behavioral Health, LLC will fill a niche in our community by offering underserved populations services they need, in our area rather than requiring travel to other areas of the state. This is especially important for substance abuse and treatment of children and adolescents so that family may be involved.

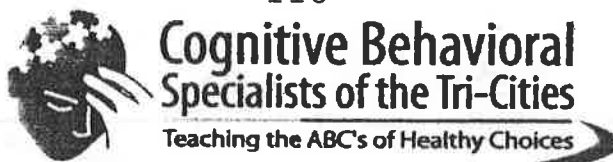
In conclusion, I strongly support the certificate of need for a new psychiatric hospital in Kingsport, Tennessee.

Sincerely,

Harold Leonard, LPC/MHSP, CCBT

January 29, 2014

3:10pm

**2758 E Center St., Kingsport, TN 37664 423-245-5608**

January 15, 2014

Tennessee Health Services
and Development Agency
502 Deaderick Street
Nashville, TN. 37243

To Whom It May Concern:

My names is Kristy Beach-Callebs and I am a Licensed Professional Counselor in private practice in Kingsport, Tennessee. I am writing to voice my support of expanding access to mental health services in this area.

The mental health system suffered two significant blows in recent years with the closure of Indian Path Pavilion and Lakeshore Mental Health Institute. These closures left a void in the Tri-Cities area for much needed psychiatric services, and this void has continued to grow. Clients have turned to local emergency rooms for psychiatric assessments and care that clearly need to be addressed in a facility intended for that purpose. Clients have needed to travel outside of their community for inpatient treatment as well as intensive outpatient services. This has especially been difficult for our adolescent population.

While some services are being provided at Woodridge Psychiatric Hospital in Johnson City, Tennessee, the distance and travel involved for clients attending an Intensive Outpatient Program create additional hardships emotionally and financially at a time when they are already under tremendous stress. As a clinician, I am constantly urging clients to increase their support system. A strong healthy support network can be the difference between recovery and relapse, and this network needs to include community resources as well as family and friends. The Tri-Cities area is in desperate need of psychiatric services and resources at a community level. This would help clients, and the professionals who seek to help them.

Thank you for your time and attention to this matter.

Sincerely,

Kristy Beach-Callebs, LPC/MHSP CCBT
Licensed Professional Counselor

Cheri L. Baird, LCSW CCBT
Licensed Clinical Social Worker

Kristy Beach-Callebs, LPC/MHSP CCBT
Licensed Professional Counselor

Harold Leonard, NCC, LPC/MHSP
Licensed Professional Counselor

January 29, 2014

3:10pm



STATE OF TENNESSEE
DEPARTMENT OF CHILDREN'S SERVICES
2557 Plymouth Road
Johnson City, TN 37601

January 28, 2014

Tennessee Health Services and Development Agency
502 Deaderick Street
Nashville, TN 37243

To Whom It May Concern:

My name is Lucretia Sanders and I am the Regional Administrator for the Northeast Department of Children's Services. I am writing to voice my support of expanding access to mental health services in this area.

Our primary focus is the health, safety, and well-being of children and families. Often these children and families have significant mental health needs that impact successful reunification back into their home. Additionally, it may impact them staying in their home. One of the significant barriers identified has been waiting lists, transportation needs, and available resources.

Our current mental health facility strives diligently to meet the needs, but the distance to drive to Johnson City for families creates emotional and financial hardships at a time when they are under stress already. Since we cover an eight county region, a large portion of our population has to travel outside of their home county to receive the needed mental health care.

Any additional services that can come to our area would greatly enhance the area and meet the needs of children and families we serve.

Sincerely,

Lucretia B. Sanders, Regional Administrator



120
KINGSPORT POLICE DEPARTMENT

200 Shelby Street, Kingsport, Tennessee 37660
Information: (423) 229-9300 • Fax: (423) 224-2786
Email: kptpd@ci.kingsport.tn.us

David Quillin
Chief of Police
(423) 229-9423

SUPPLEMENTAL- # 1



Tennessee Health Services and Development Agency
502 Deaderick Street
Nashville, TN 37243

To Whom It May Concern,

My name is David Quillin. I serve as the Chief of Police of the Kingsport Police Department. I have almost 30 years of local law enforcement experience. It has come to my attention that Strategic Behavioral Health, LLC has expressed an interest in potentially locating a facility in our city which would expand access to mental health services for our community.

I believe this type of facility could be beneficial to our community for a variety of reasons:

- There are waiting lists at other facilities and citizens cannot get the care they need in a timely manner.
- Emergency rooms at hospitals should probably not be the place where mentally ill are treated.
- The local mental health system has been stressed after the closure of Indian Path Pavilion and Lakeshore Mental Health Institute.
- Large portions of our population must travel outside of the area in order to receive the appropriate treatment.
- Our community hospital system provides exceptional care, but, based on my experience, there is still a growing need for psychiatric services in our immediate area.

I would be happy to answer any questions, should they arise.

Regards,

David Quillin, Chief of Police

Ambulatory Surgical Treatment Center Construction Cost Per Square Foot**Years: 2010 – 2012**

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$50.00/sq ft	\$200.00/sq ft	\$78.42/sq ft
Median	\$100.47/sq ft	\$252.74/sq ft	\$166.28/sq ft
3rd Quartile	\$166.28/sq ft	\$292.61/sq ft	\$244.26/sq ft

*Source: CON approved applications for years 2010 through 2012***Hospital Construction Cost Per Square Foot****Years: 2010 – 2012**

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$99.12/sq ft	\$234.64/sq ft	\$167.99/sq ft
Median	\$177.60/sq ft	\$259.66/sq ft	\$235.00/sq ft
3rd Quartile	\$249.00/sq ft	\$307.80/sq ft	\$274.63/sq ft

*Source: CON approved applications for years 2010 through 2012***Nursing Home Construction Cost Per Square Foot****Years: 2010 – 2012**

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$19.30/sq ft	\$164.57/sq ft	\$73.23/sq ft
Median	\$35.76/sq ft	\$167.31/sq ft	\$164.57/sq ft
3rd Quartile	\$55.00/sq ft	\$181.72/sq ft	\$167.61/sq ft

*Source: CON approved applications for years 2010 through 2012***Outpatient Diagnostic Center Construction Cost Per Square Foot****Years: 2010 – 2012***Due to insufficient sample size, Construction ranges are not available.*

4390. INSTITUTIONS FOR MENTAL DISEASES

A. Statutory and Regulatory Provisions.--The statutory provisions relating to institutions for mental diseases (IMDs) include two categories of covered services and a broad payment exclusion that can preclude payment for services provided to certain individuals in both participating and non-participating facilities.

1. IMD Coverage.--The original Medicaid legislation (P.L. 89-97) included a benefit for individuals 65 years of age or older who are in hospitals or nursing facilities that are IMDs. This provision is in §1905(a)(14) of the Act and regulations relating to this benefit are in Subpart C of 42 CFR 441.

In 1972, the Medicaid program was expanded (P.L. 92-603) to include inpatient psychiatric hospital services for individuals under age 21, or, in certain circumstances, under age 22. This provision is in §1905(a)(16) of the Act. Authority for using additional settings was enacted in P.L. 101-508. This benefit is currently being provided in a wide variety of psychiatric facilities. Regulations for this benefit are in Subpart D of 42 CFR 441.

Both IMD benefits are optional, except that inpatient psychiatric services for individuals under age 21 must be provided in any State as early and periodic screening, diagnosis and treatment (EPSDT) services if they are determined to be medically necessary.

2. IMD Exclusion.--The IMD exclusion is in §1905(a) of the Act in paragraph (B) following the list of Medicaid services. This paragraph states that FFP is not available for any medical assistance under title XIX for services provided to any individual who is under age 65 and who is a patient in an IMD unless the payment is for inpatient psychiatric services for individuals under age 21. This exclusion was designed to assure that States, rather than the Federal government, continue to have principal responsibility for funding inpatient psychiatric services. Under this broad exclusion, no Medicaid payment can be made for services provided either in or outside the facility for IMD patients in this age group.

3. IMD Definition.--In 1988, P.L. 100-360 defined an institution for mental diseases as a hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases, including medical attention, nursing care, and related services. This definition is in §1905(i) of the Act and in 42 CFR 435.1009. The regulations also indicate that an institution is an IMD if its overall character is that of a facility established and maintained primarily for the care and treatment of individuals with mental diseases.

Facilities with fewer than 17 beds that specialize in treating persons with mental disorders can provide the types of services discussed in item 1 if they meet the regulatory requirements to provide these institutional benefits, but these facilities are not technically IMDs. Because IMDs are defined to be institutions with more than 16 beds, the IMD exclusion applies only to institutions with at least 17 beds.

B. Guidelines for Determining What Constitutes an Institution.--When it is necessary to determine whether an institution is an IMD, the IMD criteria listed in subsection C must be applied to the appropriate entity. In most cases, there is no difficulty in determining what entity to apply the criteria to. But in cases in which multiple components are involved, it may be necessary for the HCFA regional office (RO) to apply the following guidelines

REQUIREMENTS AND LIMITS
4390 (Cont.) APPLICABLE TO SPECIFIC SERVICES 03-94

to identify the institution to be assessed. Components that are certified as different types of providers, such as NFs and hospitals, are considered independent from each other.

1. Are all components controlled by one owner or one governing body?
2. Is one chief medical officer responsible for the medical staff activities in all components?
3. Does one chief executive officer control all administrative activities in all components?
4. Are any of the components separately licensed?
5. Are the components so organizationally and geographically separate that it is not feasible to operate as a single entity?
6. If two or more of the components are participating under the same provider category (such as NFs), can each component meet the conditions of participation independently?

The RO may also use other guidelines that it finds relevant in a specific situation. If the answer to items 1, 2, or 3 is "no," or the answer to items 4, 5, or 6 is "yes," for example, there may be a separate facility/component. If it is determined that a component is independent, the IMD criteria in subsection C are applied to that component unless the component has 16 or fewer beds.

C. Guidelines for Determining Whether Institution Is an IMD.--HCFA uses the following guidelines to evaluate whether the overall character of a facility is that of an IMD. If any of these criteria are met, a thorough IMD assessment must be made. Other relevant factors may also be considered. For example, if a NF is being reviewed, reviewers may wish to consider whether the average age of the patients in the NF is significantly lower than that of a typical NF. A final determination of a facility's IMD status depends on whether an evaluation of the information pertaining to the facility establishes that its overall character is that of a facility established and/or maintained primarily for the care and treatment of individuals with mental diseases.

1. The facility is licensed as a psychiatric facility;
2. The facility is accredited as a psychiatric facility;
3. The facility is under the jurisdiction of the State's mental health authority. (This criterion does not apply to facilities under mental health authority that are not providing services to mentally ill persons.);
4. The facility specializes in providing psychiatric/psychological care and treatment. This may be ascertained through review of patients' records. It may also be indicated by the fact that an unusually large proportion of the staff has specialized psychiatric/psychological training or that a large proportion of the patients are receiving psychopharmacological drugs; and
5. The current need for institutionalization for more than 50 percent of all the patients in the facility results from mental diseases.

06-96 REQUIREMENTS AND LIMITS
APPLICABLE TO SPECIFIC SERVICES 4390 (Cont.)

D. Assessing Patient Population.--The review team applying the guidelines must include at least one physician or other skilled medical professional who is familiar with the care of mentally ill individuals. No team member may be employed by or have a significant financial interest in the facility under review.

In applying the 50 percent guideline (see §4390.C.2), determine whether each patient's current need for institutionalization results from a mental disease. It is not necessary to determine whether any mental health care is being provided in applying this guideline.

For purposes of determining whether a facility is subject to the IMD exclusion, the term "mental disease" includes diseases listed as mental disorders in the International Classification of Diseases, 9th Edition, modified for clinical applications (ICD-9-CM), with the exception of mental retardation, senility, and organic brain syndrome. The Diagnostic and Statistical Manual of Mental Disorders (DSM) is a subspecification of the mental disorder chapter of the ICD and may also be used to determine whether a disorder is a mental disease.

If it is not possible to make the determination solely on the basis of an individual's current diagnosis, classify the patient according to the diagnosis at the time of admission if the patient was admitted within the past year. Do not include a patient in the mentally ill category when no clear cut distinction is possible.

To classify private patients when review of their records is not possible, rely on other factors such as the surveyor's professional observation, discussion with staff of the overall character and nature of the patient's problems, and the specialty of the attending physician.

When the 50 percent guideline is being applied in a NF, the guideline is met if more than 50 percent of the NF residents require specialized services for treatment of serious mental illnesses, as defined in 42 CFR 483.102(b). Facilities providing non-intensive care for chronically ill individuals may also be IMDs. All NFs must provide mental health services which are of a lesser intensity than specialized services to all residents who need such services. Therefore, in applying the 50 percent guidelines, it is important to focus on the basis of the patient's current need for NF care, rather than the nature of the services being provided.

E. Chemical Dependency Treatment Facilities.--The ICD-9-CM system classifies alcoholism and other chemical dependency syndromes as mental disorders.

There is a continuum of care for chemical dependency. At one end of the spectrum of care, treatment follows a psychiatric model and is performed by medically trained and licensed personnel. If services are psychological in nature, the services are considered medical treatment of a mental disease. Chemically dependent patients admitted for such treatment are counted as mentally ill under the 50 percent guideline. Facilities with more than 16 beds that are providing this type of treatment to the majority of their patients are IMDs.

At the other end of the spectrum of care are facilities that are limited to services based on the Alcoholics Anonymous model, i.e., they rely on peer counseling and meetings to promote group support and encouragement, and they primarily use lay persons as counselors. Lay counseling does not constitute medical or remedial treatment. (See 42 CFR 440.2(b).) Do not count patients

REQUIREMENTS AND LIMITS
APPLICABLE TO SPECIFIC SERVICES

4390.1

06-96

admitted to a facility only for lay counseling or services based on the Alcoholics Anonymous model as mentally ill under the 50 percent guideline. If psychosocial support provided by peers or staff without specialized training is the primary care being provided in the facility, the facility is not an IMD. The major factor differentiating these facilities from other chemical dependency treatment facilities is the primary reliance on lay staff.

Federal matching funds may not be claimed for institutional services when lay/social treatment is the primary reason for the inpatient stay. Facilities may not claim Medicaid payment for providing covered medical or remedial services in a nursing facility or hospital to patients admitted for treatment of chemical dependency and simultaneously claim that they are providing only lay or social services to those same patients when the 50 percent guideline is being applied. Facilities also may not avoid having their chemically dependent patients counted as mentally ill under the 50 percent guideline by withholding appropriate treatment from those patients. Facilities failing to provide appropriate treatment to patients risk termination from the program.

In determining whether a facility has fewer than 17 beds, it is not necessary to include beds used solely to accommodate the children of the individuals who are being treated. Children in beds that are not certified or used as treatment beds are not considered to be patients in the IMD and therefore are not subject to the IMD exclusion if they receive covered services while outside the facility.

4390.1 Periods of Absence From IMDs.--42 CFR 435.1008(c) states that an individual on conditional release or convalescent leave from an IMD is not considered to be a patient in that institution. These periods of absence relate to the course of treatment of the individual's mental disorder. If a patient is sent home for a trial visit, this is convalescent leave. If a patient is released from the institution on the condition that the patient receive outpatient treatment or on other comparable conditions, the patient is on conditional release.

If an emergency or other need to obtain medical treatment arises during the course of convalescent leave or conditional release, these services may be covered under Medicaid because the individual is not considered to be an IMD patient during these periods. If a patient is temporarily transferred from an IMD for the purpose of obtaining medical treatment, however, this is not considered a conditional release, and the patient is still considered an IMD patient.

The regulations contain a separate provision for individuals under age 22 who have been receiving the inpatient psychiatric services benefit defined in 42 CFR 440.160. This category of patient is considered to remain a patient in the institution until he/she is unconditionally released or, if earlier, the date he/she reaches age 22.

§ 435.1008

would ordinarily be paid to a family of two without income or resources may use an amount based upon a reasonable relationship to such an AFDC standard for a family of two.

(e) FFP is not available in expenditures for services provided to categorically needy and medically needy beneficiaries subject to the FFP limits if their annual income, after the cash assistance income deductions and any income disregards in the State plan authorized under section 1902(r)(2) of the Act are applied, exceeds the 133½ percent limitation described under paragraphs (b), (c), and (d) of this section.

(f) A State may use the less restrictive income methodologies included under its State plan as authorized under § 435.601 in determining whether a family's income exceeds the limitation described in paragraph (b) of this section.

[58 FR 4933, Jan. 19, 1993, as amended at 68 FR 2321, 2667, Jan. 11, 2001]

§ 435.1008 FFP in expenditures for medical assistance for individuals who have declared United States citizenship or nationality under section 1137(d) of the Act and with respect to whom the State has not documented citizenship and identity.

Except for individuals described in § 435.406(a)(1)(v), FFP will not be available to a State with respect to expenditures for medical assistance furnished to individuals unless the State has obtained satisfactory documentary evidence of citizenship or national status, as described in § 435.407 that complies with the requirements of section 1903(x) of the Act.

[72 FR 38694, July 13, 2007]

§ 435.1009 Institutionalized individuals.

(a) FFP is not available in expenditures for services provided to—

(1) Individuals who are inmates of public institutions as defined in § 435.1010; or

(2) Individuals under age 65 who are patients in an institution for mental diseases unless they are under age 22 and are receiving inpatient psychiatric services under § 440.160 of this subchapter.

42 CFR Ch. IV (10-1-12 Edition)

(b) The exclusion of FFP described in paragraph (a) of this section does not apply during that part of the month in which the individual is not an inmate of a public institution or a patient in an institution for tuberculosis or mental diseases.

(c) An individual on conditional release or convalescent leave from an institution for mental diseases is not considered to be a patient in that institution. However, such an individual who is under age 22 and has been receiving inpatient psychiatric services under § 440.160 of this subchapter is considered to be a patient in the institution until he is unconditionally released or, if earlier, the date he reaches age 22.

[43 FR 45204, Sept. 29, 1978, as amended at 50 FR 13199, Apr. 3, 1985; 50 FR 38811, Sept. 25, 1985. Redesignated and amended at 71 FR 39225, July 12, 2006]

§ 435.1010 Definitions relating to institutional status.

For purposes of FFP, the following definitions apply:

Active treatment in intermediate care facilities for individuals with intellectual disabilities means treatment that meets the requirements specified in the standard concerning active treatment for intermediate care facilities for persons with Intellectual Disability under § 483.440(a) of this subchapter.

Child-care institution means a non-profit private child-care institution, or a public child-care institution that accommodates no more than twenty-five children, which is licensed by the State in which it is situated, or has been approved by the agency of the State responsible for licensing or approval of institutions of this type, as meeting the standards established for licensing. The term does not include detention facilities, forestry camps, training schools or any other facility operated primarily for the detention of children who are determined to be delinquent.

In an institution refers to an individual who is admitted to live there and receive treatment or services provided there that are appropriate to his requirements.

KINGSPORT TIMES-NEWS

PUBLICATION CERTIFICATE

Kingsport, TN 12/10/13

This is to certify that the Legal Notice hereto attached was published in the Kingsport Times-News, a daily newspaper published in the City of Kingsport, County of Sullivan, State of Tennessee, beginning in the issue of December 10, 2013, and appearing 1 consecutive weeks/times, as per order of

Baker, Donelson, BearmanSigned Sheryl Edwards

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.O.A. § 68-11-1801 et seq., and the Rules of the Health Services and Development Agency, that:

(Name of Applicant) SBH-Kingsport, LLC (Facility Type-Existing) N/A
 (Name of Existing Facility) SBH-Kingsport, LLC with an ownership type of limited liability company, and to be managed by, itself
 Intends to file an application for a Certificate of Need for establishment of a new inpatient psychiatric hospital in Kingsport, Sullivan County, Tennessee 37660. This project will be located on unadvised property at the end of Executive Park Boulevard in Kingsport, Tennessee. This property is south of the intersection of Executive Park Boulevard and East Shore Drive in Kingsport, Tennessee. This project will involve the initiation of inpatient psychiatric hospital services. This new psychiatric hospital will have 18 adult beds, 16 periparturient beds, 28 child and adolescent beds, and 10 chemical dependency beds. These 72 beds will all be new beds licensed as psychiatric hospital beds. The estimated project costs for this project are projected to be approximately \$12,000,000.00.

The anticipated date of filing the application is: December 13, 2013

The contact person for this project is Mike Gatone (Contact Name)
 who may be reached at: Strategic Behavioral Health, LLC (Title)
8095 Tournament Drive, Suite 201 (Company Name)
Memphis, Tennessee (Address)
38125 (City) (State) (Zip Code)
901869-3100 (Area Code/ Phone Number)

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
 Andrew Jackson Building, 9th Floor
 502 Deaderick Street
 Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.O.A. § 68-11-1807(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

PUB12/10/13

STATE OF TENNESSEE, SULLIVAN COUNTY, TO WIT:

Personally appeared before me this 10th day of December, 2013, Sheryl Edwards

of the Kingsport Times-News and in due form of law made oath that the foregoing statement was true to the best of my knowledge and belief.



Janice I. Reuser
 Notary Public

My commission expires 3-2-2016

January 29, 2014

3:10pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF ShelbyNAME OF FACILITY: SBH - KINGSFORT, LLC

I, MICHAEL GARONE, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

[Signature]
DIRECTOR OF DEVELOPMENT
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28th day of January, 2014,
witness my hand at office in the County of Shelby, State of Tennessee.

[Signature]
NOTARY PUBLIC

My commission expires Oct. 19, 2016.

HF-0043

Revised 7/02



MY COMMISSION EXPIRES:
October 9, 2016

COPY- SUPPLEMENTAL-2

SBH- Kingsport, LLC

CN1312-050

JAN 31 11:41:28

January 31, 2014

Mr. Phillip M. Earhart
Health Planner III
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Via Hand Delivery

Re: Certificate of Need Application CN1312-050
SBH-Kingsport, LLC

Dear Mr. Earhart:

Set forth below are the responses of SBH-Kingsport, LLC, the applicant in Certificate of Need Application CN1312-050 to the request for information dated January 30, 2014. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses.

1. Section B, Project Description, Item II.A

Please clarify the reason each psychiatric unit will not have their own dedicated seclusion room and bathroom. Does this arrangement meet best practice guidelines in life/safety?

RESPONSE: The applicants President, a seasoned Mental Health Professional spent considerable time with the architect and design team to design the building specifically to accommodate the patient population. In our years of experience, we have learned that when a patient is in need of seclusion or restraint, it is extremely important to remove them from the stimulus of the current unit. Our design has these seclusion rooms directly adjacent to the unit, but far enough away to reduce stimulus. Additionally, we have a clinical philosophy of seclusion and restraint as a last resort and we believe providing too many seclusion areas could encourage additional use. The current design provides for maximum dignity and respect for each client with the bathrooms being attached to the seclusion area.

How many seclusion rooms will there be per psychiatric unit?

RESPONSE: There are a total of three (3) seclusion rooms and bathrooms for the facility. Each nurse's station has a seclusion room behind them for better clinical oversight and support. This equates to three (3) seclusion rooms for five distinct hallways or one (1) per nurse's station.

The applicant states the twenty-eight (28) adolescent and child units are coed. What experience does the applicant have in operating an adolescent and child inpatient psychiatric unit with high risk patients?

RESPONSE: Strategic Behavioral Health currently operates a total of 387 child / adolescent inpatient beds in North Carolina, Colorado, New Mexico and Nevada. In each of these facilities, we have built a reputation of taking the most high-risk, most "acute", and most violent and aggressive children in each of these markets. In fact, our clinical outcomes have shown significant improvement in these particular patients. Our staffing models and clinical program design allow us to appropriately manage co-ed as well as different clinical presentations in each unit.

The square footage and cost per square footage chart is noted. However, the last three columns of the chart should be the final cost per sq. ft. for each unit/department, not project cost assigned to each area. Please revise.

RESPONSE: The requested documentation is attached hereto. Please note that the price per sq/ft is the same for each unit/department because we do not have the level of detail that breaks out the pricing by unit.

2. Section B, Project Description, Item II.B

The applicant states Woodridge has claimed Sullivan and Hawkins counties in their service area, which the applicant is also proposing to claim in their service area. Please provide a brief summary of inpatient psychiatric services provided by Woodridge Psychiatric Hospital and number of licensed beds assigned to each unit.

RESPONSE: According to its 2012 JAR, Woodridge has 84 psychiatric beds. Its 2012 JAR does not list any psychiatric hospital beds assigned "specifically for children and youth under age 18" or specifically for "geriatric patients". Also, its 2012 JAR does not assign any beds to "chemical dependency" services.

3. Section B, Project Description Item III.A.(Plot Plan)

The plot plan is noted. Please describe the four businesses that border the site.

RESPONSE: To the best of the applicant's knowledge the surrounding businesses are as follows:

1. Kmart
2. Gregory Corradino, MD
3. Mountain Region Family Medicine
4. Frank Merendino, DDS

5. Wellmont Health System
6. Grace Covenant Church
7. Stowaway Self Services Storage

It appears the proposed structures will be close to two existing structures. What are the two structures and the distance to the proposed facility?

RESPONSE: To the best of the applicant's knowledge one of the buildings is a self-storage building and it is unclear what the other building is. The building footprint is not drawn to scale on the plot plan, so we are unable to verify the distance to the two existing structures. As indicated in the letter from our architect, all aspect of the project will be in accordance with city building codes.

4. Section B, Project Description, Item B.IV

The floor plans submitted are noted. Please provide floor plans that include labeling of psychiatric units, seclusion rooms, patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc.

RESPONSE: The requested documentation is attached hereto.

5. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services A. Need, 1)

The use of Tennessee Department of Health 2010-2020 projections published by the TDOH in 2010 is noted. However, the most recent revision published by the Tennessee Department of Health is 2013. Please revise all need calculations using population statistics incorporating the Tennessee Department of Health Populations revised 2013 at the following web-site address: http://health.state.tn.us/statistics/pdf/CertNeed/Population_Projections_2010-20.pdf

Please submit replacement pages with the revised changes.

RESPONSE: The requested revisions have been done, and the respective replacement pages are attached.

6. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services B.1. (Service Area))

The chart of the patient origin by county is noted. The chart notes the following number of inpatient/discharge days for Woodridge Hospital in the two counties that is included in the applicant's proposed service area: Sullivan County: 5,886 inpatient/discharge days; and Hawkins County: 1,520 inpatient/discharge days. The 2012 Joint Annual Report indicates there were a total 19,306 Tennessee inpatient/discharge days in 2012 for Woodridge Hospital.

Woodridge depends on 38% of their psychiatric inpatient patient/discharge days (7.9% from Hawkins County and 30.1% from Sullivan County) from the applicant's proposed service area. Please clarify and discuss the impact the proposed project will have on Woodridge Psychiatric Hospital while Woodridge depends on 38% of their patient days/discharges from Hawkins and Sullivan counties.

RESPONSE: The SBH-Kingsport CON project plans to have only 18 beds dedicated to adult psychiatric hospital services. As noted on its 2012 JAR, Woodridge allocates all 84 of its beds to general adult psychiatric services, while not specifically reserving any for child and adolescent inpatient psychiatric hospital services, geropsychiatric hospital services, or as dedicated chemical dependency beds. Thus, the corporate mission of SBH-Kingsport, as set forth in this CON application, differs significantly from that of Woodridge. Therefore, the applicant projects that its project will have relatively little impact on Woodridge. Woodridge also claims to serve counties such as Greene, Washington, and Carter counties, which SBH-Kingsport does not claim as being in its service area.

7. Section C, Need, Item 1 a., (Project Specific Criteria-Psychiatric Inpatient Services) B. 2. Service Area Demographics and Section C. Need. Item 4.A Service Area Demographics

Please complete the following chart using population statistics revised 2013 by the Tennessee Department of Health at the following web-site address
<http://health.state.tn.us/statistics/CertNeed.shtml>

Demographic Data	Hawkins County	Sullivan County	Service Area Total	State of TN Total
Total 2014 Population				
Total Population-				
Total 2018 Population % Change				
65+ Pop. - 2014				
65+ Pop. - 2018				
65+ Population % Change				
65+ Population % of Total Population				
Median Age				
Median Household Income				
TennCare Enrollees				
TennCare Enrollees as % of Total Population				

Persons Below Poverty Level				
% of Total Population below Poverty Level				

RESPONSE:

Demographic Data	Hawkins County	Sullivan County	Service Area Total	State of TN Total
Total 2014 Population	57,509	158,975	216,484	6,588,698
Total Population- 2018	58,164	161,136	219,300	6,833,509
Total 2018 Population % Change	1.1%	1.4%	1.3%	3.7%
65+ Pop. - 2014	11,259	33,325	44,484	981,984
65+ Pop. - 2018	12,990	37,365	50,355	1,102,413
65+ Population % Change*	15.4%	12.1%	12.9%	3.7%
65+ Population % of Total Population*	19.6%	21.0%	20.3%	14.9%
Median Age**	42.3 yrs	43.5 yrs	43.2 yrs (est.)	38 yrs
Median Household Income**	\$36,419	\$40,025	\$39,163	\$1,197,412
TennCare Enrollees***	11,711	27,452	39,163	1,197,412
TennCare Enrollees as % of Total Population	20.4%	16.9%	18.1%	18.2%
Persons Below Poverty Level**	9,431	26,867	36,298	981,716
% of Total Population below Poverty Level	16.4%	16.9%	16.8%	14.9%

*2014 DOH Population Projection

**Census Bureau data

***Bureau of TennCare October 2013 data

8. Section C. Economic Feasibility Item 1 (Project Cost Chart)

A referenced list of \$562,607 assigned to C.4. "Build Year Operating Cost" could not be located in the supplemental. Please provide.

RESPONSE: Please reference the table below for breakdown of Build Year Operating Cost.

Build Year Operating Expenses	
Salaries	\$310,085
Benefits	\$77,521
Professional Fees	\$12,500
Advertising	\$45,000

Purchased Services	\$0
Recruitment	\$36,000
Food & Supplies	\$25,000
Travel	\$37,000
Repairs	\$0
Rental Expense	\$7,500
Insurance	\$0
Utilities	\$3,000
Bad Debt Expense	\$0
Property Taxes	\$0
Other Expenses	\$9,000
Total Hospital Expenses	\$562,607

9. Section C. Economic Feasibility Item 5

The calculation of average gross charge, average deduction from operating revenue and average net charge Year One is noted. However, please recalculate average deduction from gross operating revenue. It appears to be \$1,077 not \$1,028. Please clarify.

RESPONSE: The average deduction from gross operating revenue is \$1,077, when calculated by dividing the total deductions of \$9,370,257 by the total number of projected patient days (8,700).

10. Section C, Contribution to Orderly Development, Item 3

Please complete the following table for total FTE's that will be employed in the first year that will be providing patient care:

Position Type	FTE's
Clinical Director	
Program Director	
Registered Nurses	
RN/UM	
Techs	
Licensed Vocational Nurse	
Therapist	
RT	
Teacher	
Total	

RESPONSE:

Position Type	FTEs
Clinical Director	1.0
Program Director	1.0
Registered Nurses	12.6
RN/UM	1.0
Techs	16.8
Licensed Vocational Nurse	4.2
Therapist	4.0
RT	2.0
Teacher	0
Total	42.6

Please clarify if there will be assessment/referral and aftercare positions involved with this proposed project.

RESPONSE: The applicant intends to have an assessment and referral department. The aftercare positions would consist of those Inpatient Therapy Staff that are involved with discharge planning as well as those staff working in our Partial Hospitalization Program (PHP) and Intensive Outpatient Program (IOP).

[Remainder of page intentionally left blank]

Mr. Phillip M. Earhart
January 31, 2014

SUPPLEMENTAL- # 2

**January 31, 2014
11:35:am**

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Garone", written over a horizontal line.

Mike Garone

Contact Person for Certificate of Need
Application CN1312-050
SBH-Kingsport, LLC

Attachments



DEC 10 '13 PM3:11

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Kingsport Times News which is a newspaper
(Name of Newspaper)
of general circulation in Sullivan County, Tennessee, on or before December 10, 2013, for one day.
(County) (Month / day) (Year)

=====

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

SBH-Kingsport, LLC
(Name of Applicant)

N/A
(Facility Type-Existing)

owned by: SBH-Kingsport, LLC with an ownership type of limited liability company
and to be managed by: itself intends to file an application for a Certificate of Need for:

establishment of a new inpatient psychiatric hospital in Kingsport, Sullivan County, Tennessee 37660. This project will be located on unaddressed property at the end of Executive Park Boulevard in Kingsport, Tennessee. This property extends south and west of Executive Park Boulevard, and is south of the intersection of Executive Park Boulevard and East Stone Drive in Kingsport, Tennessee. This project will involve the initiation of inpatient psychiatric hospital services. This new psychiatric hospital will have 18 adult beds, 16 geropsychiatric beds, 28 child and adolescent beds, and 10 chemical dependency beds. These 72 beds will all be new beds licensed as psychiatric hospital beds. The estimated project costs for this project are projected to be approximately \$12,000,000.00.

The anticipated date of filing the application is December 13, 2013.

The contact person for this project is Mike Garone Director of Development
(Contact Name) (Title)

who may be reached at: Strategic Behavioral Health, LLC 8295 Tournament Drive, Suite 201
(Company Name) (Address)

Memphis
(City)

Tennessee
(State)

38125
(Zip Code)

901 / 969-3100
(Area Code / Phone Number)

Mike Garone
(Signature)

12/10/13
(Date)

mgarone@strategicbh.com
(E-mail Address)

=====

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

=====

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



A GREAT Place for Kids, When Kids REALLY Need a Great Place!

2431 JONES BEND ROAD LOUISVILLE, TN 37777
(865) 970-3255 PHONE 1-800-255-TEEN (8336) (865) 970-6334 FAX WWW.VILLAGEBH.COM

April 7, 2014

Melanie Hill
Executive Director
Tennessee Health Services & Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, TN 37243

RE: SBH-Kingsport LLC (CN1312-050)

Dear Ms. Hill:

As the Chief Executive Officer of Village Behavioral Health, I am writing to express our opposition to the certificate of need application of SBH-Kingsport LLC, which seeks approval of a new mental health hospital with 72 psychiatric beds, including 28 beds dedicated to child and adolescent patients. The application does not satisfy the Agency's requirements relating to need or the orderly development of healthcare in the proposed service area. We also have concerns about the economic viability of the proposed project. Representative of our organization will attend the Agency's April 23rd meeting during the consideration of this application in order to express our opposition in further detail.

Thank you for your attention in this matter. Please do not hesitate to contact me if you have any questions about the foregoing or require anything further. Direct office line: (865)970-1828.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay Leach", is written over a horizontal line.

Jay Leach
CEO



**WOODRIDGE
HOSPITAL**

A Service of Johnson City Medical Center

403 N. State of Franklin Road • Johnson City, TN 37604

423-928-7111 • FAX: 423-431-7092

April 2, 2014

Melanie M. Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: SBH-Kingsport, LLC, CN1312-050

Dear Ms. Hill:

This letter is submitted on behalf of Woodridge Psychiatric Hospital ("Woodridge") in opposition to the application filed by SBH-Kingsport, LLC ("SBH").

By way of background, Woodridge is an 84-bed psychiatric hospital operated as a satellite facility of Johnson City Medical Center. Johnson City Medical Center and Woodridge are part of Mountain States Health Alliance, a nonprofit health system headquartered in Johnson City, serving the residents of northeast Tennessee, southwest Virginia and western North Carolina. Woodridge provides inpatient psychiatric care to patients in the region, including a significant number of TennCare/ Medicaid and indigent patients.

Woodridge's service area includes the counties that SBH proposes to serve in its facility. The application filed by SBH does not establish a need for additional inpatient psychiatric beds in the area. A new, unneeded facility will be undermine the ability of existing providers to sustain their nonprofit missions of serving all who need care regardless of resources.

Representatives of Woodridge will be present at the Agency's meeting on April 23, 2014, to explain in more detail how the project fails to satisfy the criteria for approval. Thank you for your attention to this letter.

Very truly yours,

Dru Malcolm, DNP, MSN, RN, NEA_BC
Assistant Administrator/CNO at Woodridge Hospital

cc: Mr. Mike Garone